

STABILITY

The greatest house is nothing without its foundation. In a world where even the slightest financial tremors reverberate around the globe, Sagicor is built on solid ground. It is our responsibility to those we serve, to our shareholders, and to ourselves to take every measure to protect our future, and to ensure that we stay strong, secure and stable through whatever comes our way.

A photograph of four young children, two girls and two boys, standing on a stage in graduation caps and gowns. They are all smiling and looking towards the camera. The background is a plain wall with a door. The image has a light green tint.

“To be the insurer of choice, leading through innovation, excellence in customer service and financial strength, while meeting our stakeholders’ expectations and uplifting the communities in which we operate.”

CONTENTS



PLAN
Overview 6



STRENGTHEN
Financial Highlights 10
Directors' Report 14



SUPPORT
Corporate & Social Responsibility 22



ADVISE
Board of Directors 30



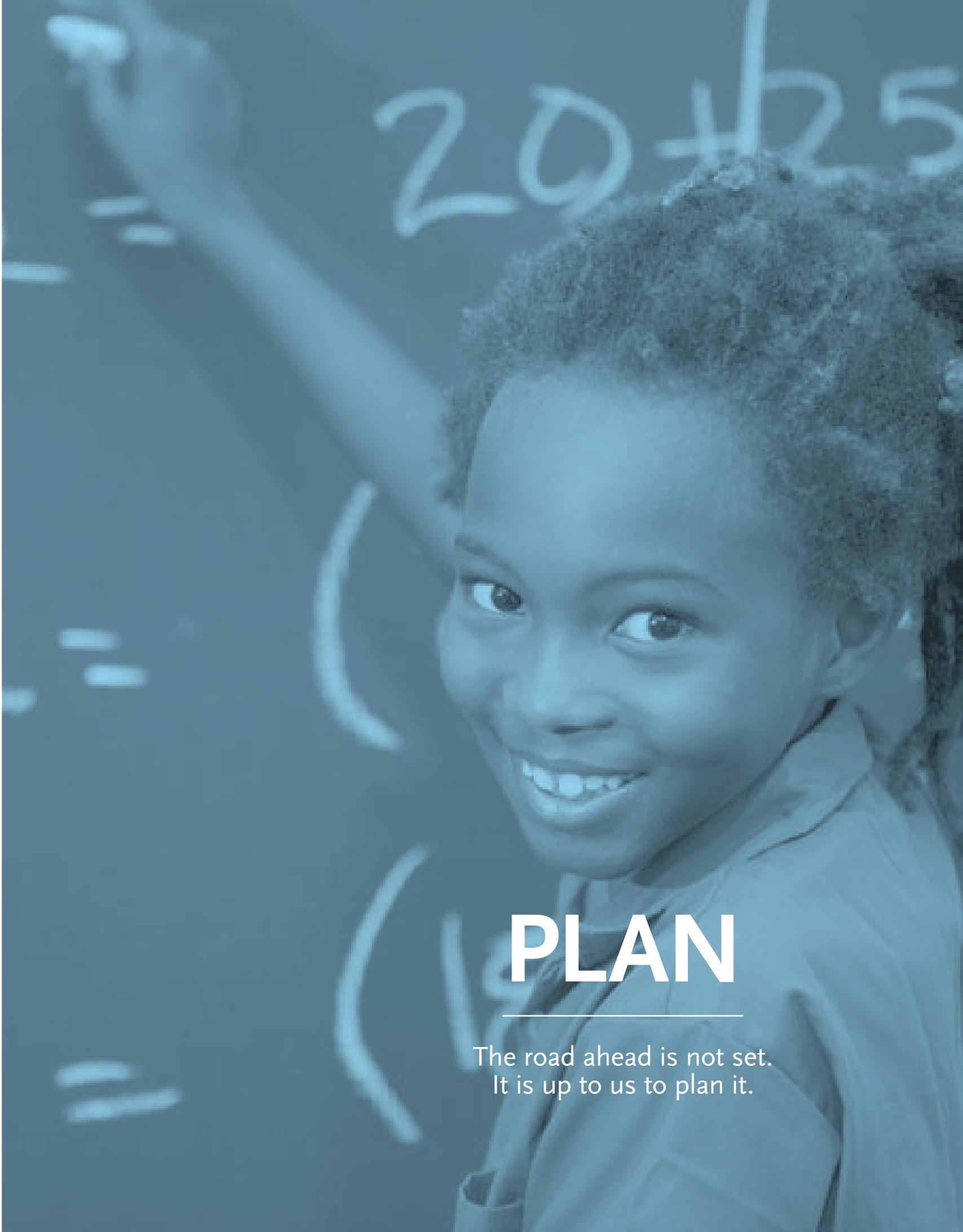
ACCOMPLISH
Executive Management 38



PROTECT
Index to the Financial Statements 50
Financial Statements 51
Notes 58



COMMUNICATE
Advisors & Bankers 110
Offices 111
Notice of Meeting 112
Management Proxy Circular 113

A young girl with curly hair, wearing a school uniform, is smiling and looking towards the camera. She is standing in front of a chalkboard. The chalkboard has several math problems written on it, including $20 + 25$ and $10 + 10$. A hand is visible in the upper left corner, holding a piece of chalk and pointing towards the board. The entire image has a blue tint.

PLAN

The road ahead is not set.
It is up to us to plan it.

OVERVIEW

We have been in existence for more than 130 years offering a comprehensive range of general insurance solutions to individuals and companies. In July 2003, a Special Resolution was passed by the shareholders authorizing an amendment to the Articles of Incorporation to change the name of the company from Barbados Fire and Commercial Insurance Company Limited to Sagicor General Insurance Inc.

We write all classes of non-life insurance products with the Property portfolio accounting for 50% of our book of business, Motor premium revenue represents 36% and Accident

& Marine business account for 14% of our total portfolio.

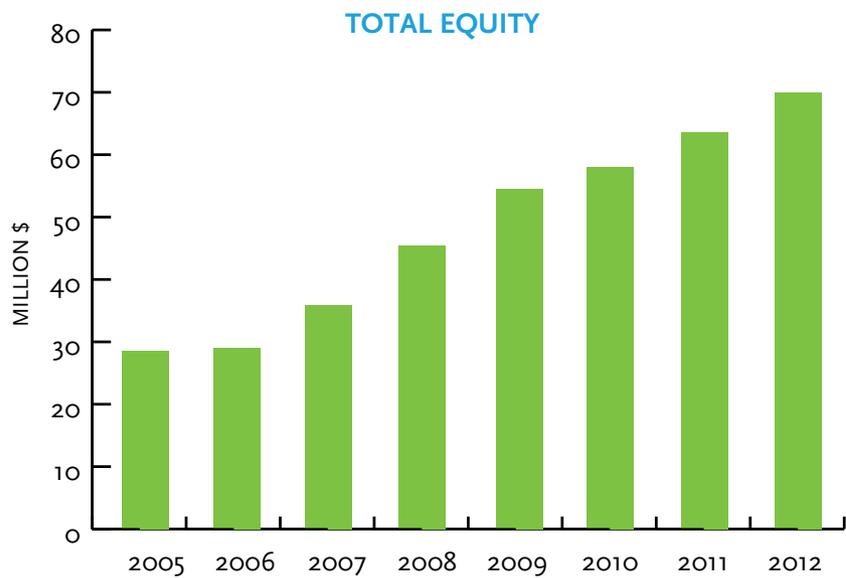
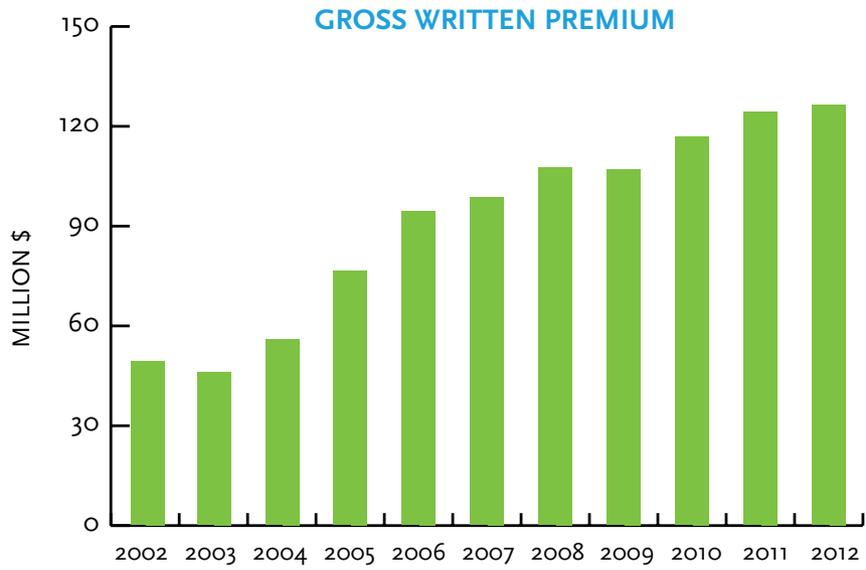
Our newly crafted Strategic Plan has established targets and objectives which all staff have embraced. The attainment of these objectives will place Sagicor General firmly among the leaders in Property & Casualty insurance business in the region.

We will continue to underwrite prudently, analyze and quantify our risks carefully, while controlling our risk exposures in such a manner as to ensure that our clients are always fully protected.

STRENGTHEN

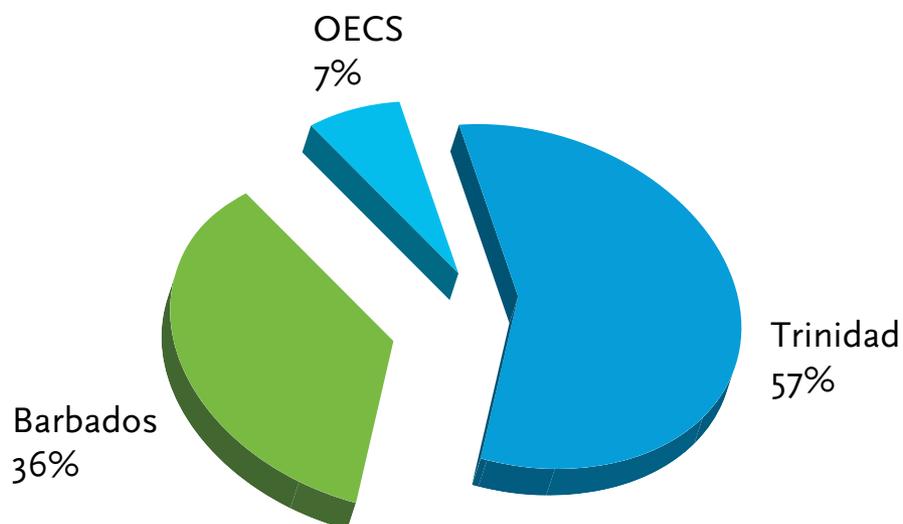
Every day we move forward,
we become that much stronger.

FINANCIAL HIGHLIGHTS

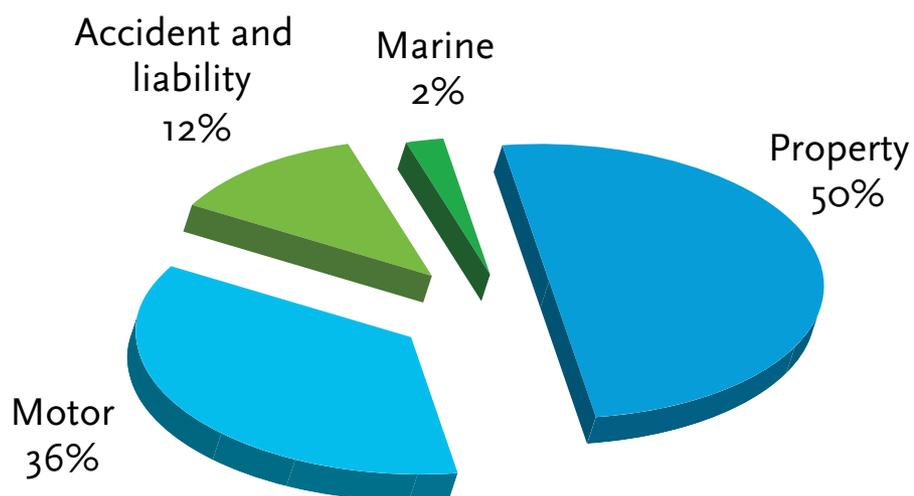


FINANCIAL HIGHLIGHTS

GROSS WRITTEN PREMIUM BY TERRITORY

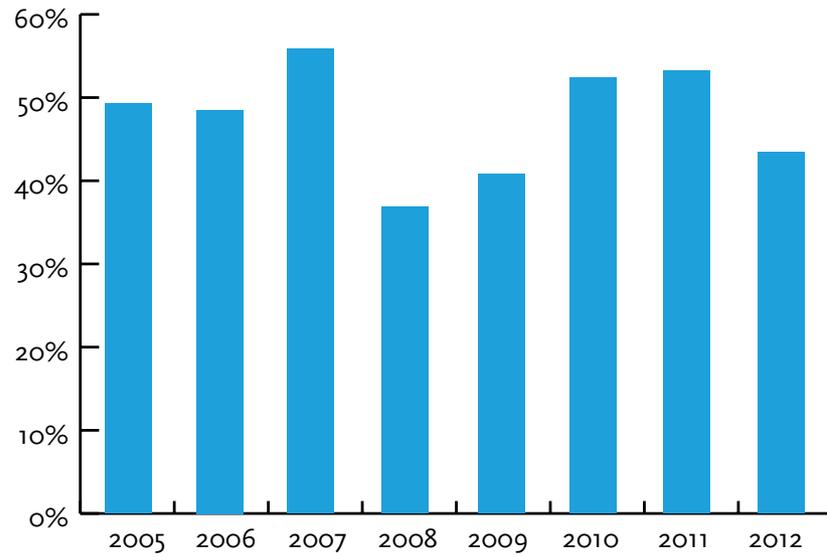


GROSS WRITTEN PREMIUM BY BUSINESS CLASS

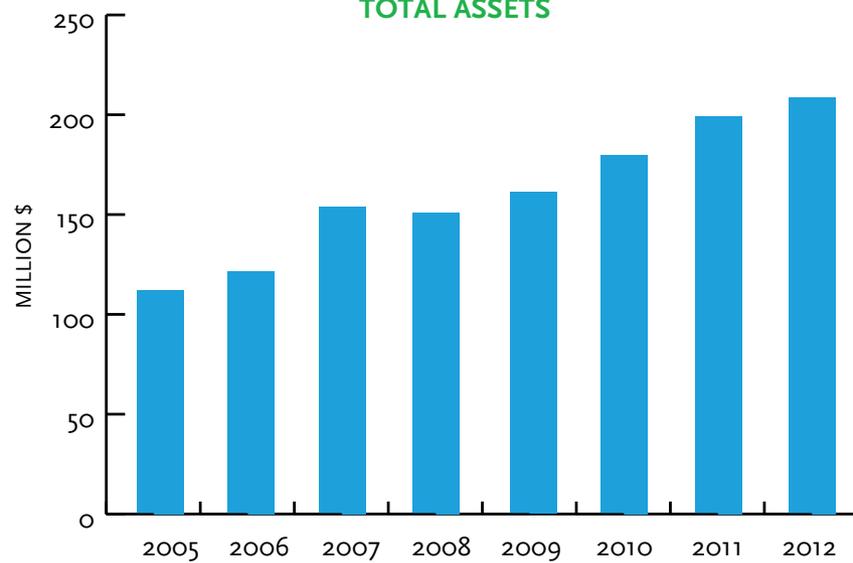


FINANCIAL HIGHLIGHTS

LOST RATIO



TOTAL ASSETS



DIRECTORS' REPORT



M. PATRICIA DOWNES – GRANT
Chairman

Once again it gives us great pleasure, on behalf of the Board Directors to present to our Shareholders the Annual Report and Accounts for the year ended December 31, 2012.

We have pleasure to report that your company performed very creditably and achieved a return on capital of 16.7%. This achievement, even though resulting from a 4.6% reduction in our net profit after tax, was still better than the target return on capital of 15.0% established by the Directors. The worldwide economic downturn continued to plague the economies of all the territories in which Sagicor General operates and I regret to inform that it appears as though there will be very little relief in the near future.

Sagicor General's major market is Trinidad & Tobago from which 57.0% of our gross written premiums are derived. Trinidad & Tobago's growth rate in 2012 was "marginally positively" as a result of low output in the energy and cement sectors, and its knock-on effects on the wider economy. Real GDP growth, indicated at 0.4% was achieved largely as a result of the expansion in the non-petroleum sector which offset the contraction in the petroleum industry.

There was no economic growth in Barbados in 2012 and the IMF's most recent forecast is for growth of 0.7% in 2013 based on the expected improvement in consumer expenditure in the economies of Barbados' major trading partners. The other 3 territories in which we operate, namely Antigua, Dominica and St. Lucia also encountered severe economic challenges and even though Antigua recorded a growth rate of 1.6%, the other two islands saw output levels of 0.5% and -0.4% respectively. Your company's performance and results must be viewed in the context of this hostile economic environment and the competitive nature of the general insurance industry where there are many insurers and intermediaries seeking a larger share of the

national premium income which has remained stagnant over the past few years.

As we reported to you last year, 2011 was a record breaking year for catastrophic economic losses, with insured losses estimated at US\$105BN to US\$108BN. However 2012 was a significantly better year and all major insurers and reinsurers worldwide recorded combined loss ratios of less than 100% thus allowing most of them to reverse the losses of the previous year.

The local and regional insuring community sought to use the improved fortunes to demand reduction in rates and generally an improvement in terms.

RESULTS FROM INSURANCE OPERATIONS

Sagicor General's gross earned premiums increased by 4.0% from \$122.1M in 2011 to \$126.9M in 2012 while net earned premiums increased by 7.5% from \$34.4M in the previous year to \$37.0M in 2012. Our Trinidad & Tobago branch office performed extremely well during the year under review and primarily accounted for the continued growth of the company as approximately 5.0% growth was achieved in the twin-island republic. Barbados and the OECS recorded no growth during the year.

Our property business still accounts for the major portion of our premium income (50% in 2012); Motor represents 36% while Miscellaneous Accident and Marine account for 12% and 2% respectively. The property account produced an excellent loss ratio of 8.8% with all territories recording a single digit loss ratio. As you are aware Motor insurance business has always been very volatile and last year we informed shareholders of a spike in motor losses. We are pleased to report that in 2012 our loss ratio fell from 67.8% (2011) to 58.9% with Trinidad & Tobago recording a 14.8% reduction in this

category. There was an overall reduction of approximately 18.4% in the company's loss ratio which produced an overall underwriting profit, before management expenses of \$32.0M up from \$26.6M in 2011. We believe that the initiatives which we took in 2012 and which we continue to implement are going to produce positive results in our motor business in the coming years.

In 2011 our investment income increased significantly due to the one-off gains which were registered as a result of the sale of a number of shares. This year, without such gains and as a result of low yields on our investments, income from this source was down by approximately 50% when compared to the previous year.

During the year the company changed the way in which it had previously calculated the commission earned from the quota share proportional treaty established in 2008 for its motor and liability classes of business. Prior to 2012 the commission was calculated on the actual year-end loss ratio as provided for in the quota share reinsurance treaty. In the current year it was agreed that the ultimate loss ratio as determined by the company's actuaries would be used to calculate the commission. This decision resulted in adjustments to the accounts of the prior 2 years as set out in Note 33. of these accounts.

BALANCE SHEET

The company's balance sheet shows that shareholders' equity has increased from \$63.7M (restated at December 2011) to \$69.9M at year-end 2012 with total assets reaching \$208.6M. Total liabilities were \$138.6M and retained earnings grew to \$39.2M up from \$34.8 in 2011.

Directors are very pleased with the effort of all concerned in ensuring that the strength and stability of the organization is being maintained,

a feature recognized by the internationally renowned insurance rating agency A.M. Best which, for yet another year has maintained our rating at “A- Excellent with a stable outlook”. A.M. Best affirmed our rating because of “our historically profitable operating performance, prudent underwriting leverage, regional market presence and parental support”.

HUMAN RESOURCES

2012 has been the ‘Year of Learning’ for Sagicor General as we continually look to support and encourage our employees to seek higher education and new knowledge, skills and abilities.

Communicating with our internal and external customers is seen as very important as we seek to improve our customer service levels and encourage staff to conduct themselves in a highly professional manner at all times. During the months of May to December 2012 we conducted a series of training sessions on “Business Communications” in partnership with the Barbados Institute of Management and Productivity. These sessions are being replicated in the EC Territories of Antigua and St. Lucia as well as Trinidad & Tobago.

During the month of August 2012, in anticipation of the proclamation of the new Employer-Employee Rights Act in Barbados, we hosted several training sessions involving all employees aimed at familiarizing them with the Act and the implications it places on both employee and employer.

We are also pleased to announce that Sagicor General copped the top awards in both the Certificate of Proficiency namely, the Cuthbert Bynoe Memorial Prize and the Barbados Diploma in Insurance, the Eddie Gamlen Award, with our own Lisa Payne and Joanne Hope being the recipients of these prestigious awards. Other awardees included Tina Bartlett, Kim Beckles, Maureen Gill, Kerry-Ann Wilson, Cheryne Corbin, Leann Herbert, Alvin Barker, Natasha Gamble, Katrina Harris, Ryan Roberts, and Cyrilene Greenidge. Special mention must be made of

Mrs. Donelle Belgrave-Young who successfully completed her Diploma in Insurance from the Chartered Insurance Institute and Miss Angela King who has achieved her Chartered Insurance Professional designation.

We also sought to empower our supervisors with the necessary tools and techniques to effectively lead and advise their employees and work teams so we partnered with The Productivity Council to host various training sessions on ‘Productivity Improvement through Supervisory Excellence’.

Members of staff in our EC Territories are currently in the process of completing their studies with the Chartered Insurance Institute with Miss Gillian Polius being successful in her examinations. Mr. Josh Cools is also excelling in his studies with the Association of Insurance Institutes of the Caribbean.

In Trinidad & Tobago Mrs. Nadia Nicholls-Jhangoor sat the final paper in her ACCA designation, while Miss Danielle Simpson is currently completing her International Masters of Business Administration from the Arthur Lok Jack Graduate School. We are delighted to note that Mr. Henrique Anderson recently achieved his Associate Degree in Management and is on his way to completing the Associate in Risk Management from Roytec.

Wellness

Our wellness programme has taken off splendidly with persons being encouraged to incorporate some form of activity into their everyday lives. Members have been joining different gyms across the island taking particular interest in the different challenges being offered. In February 2012 members participated in the Surfside sponsored health challenge, a ‘6 week Fat Loss Challenge’. Sagicor General placed 2nd overall and 26 members of staff competed in the various activities held. During the summer period of July to August 2012 members of staff also participated in another challenge entitled “The Crop Over Challenge”. We placed 4th overall in this challenge with 25 members of staff vowing

to continue their health and weight loss journeys into the following months.

ACCOMMODATION

During the year under review considerable work was done to improve the office accommodation for our staff, policyholders and other customers. In Trinidad & Tobago we rented refurbished premises at No.122 St. Vincent Street which now accommodate the staff members in Port of Spain. In Antigua there were improvements to the space currently occupied by us in the Sagicor Life building and in Barbados the company will be consolidating the staff from its 4 locations into the new Goddard Building at Haggatt Hall. The move to these premises will take place in the third quarter of 2013.

It is anticipated that the major improvements to office accommodation in these territories will be a major boost to staff morale at the company and measurable improvements in customer service will be recognized.

INFORMATION TECHNOLOGY

Last year we announced that we had entered into an agreement with a Canadian software company to provide a new and enhanced Property and Casualty system for the company. A great deal of work has taken place during the year to ensure that on implementation, the company will obtain a competitive advantage over other companies in the market. The process of creating a top of the line software system has been tedious and arduous but it is expected that during the coming year we will reap major benefits which will include automated system generated documentation, claims and underwriting efficiency as well as improved receivables management capability.

COMMUNITY INVOLVEMENT

We continue to provide sponsorship and other support to many organizations and groups operating within the communities in which we do business.

During 2012 Sagicor General made a significant financial contribution to the Chairman of the National Athletic Games Committee in Trinidad & Tobago to assist in staging the annual National Open Track and Field Championships which took place at the Hasely Crawford Stadium. The event was very well supported by all Trinidadians as it was seen as the qualifier for the London Olympic games. The championships featured an elite field of local athletes including former Olympic 100M silver medalist Richard Thompson, World Junior 400M Jehue Gordon, World Championship 100M bronze medalist Kelly Ann Baptiste and Olympic Javelin gold medalist Keshorn Walcott.

Sagicor General has sponsored the Barbados National Junior Squash Competition since 1980 and again did so in 2012. We also sponsored the National Junior Squash team in 2012. In the individual competition of the 30th annual Caribbean Junior Squash Championships (which were held at the Liguanea Club in Kingston, Jamaica), Barbadian players won one gold and two silver medals, our best results at Junior CASA since 2006 when we won two gold medals in the Girls' Under 17 (Cheri-Ann Parris) and Girls' Under 19 (Nadia McCarthy) age group finals.

The company completed its 6th year of sponsorship of the 2012 Maurice Byer Polyclinic Diabetes Poetry and Poster Competition for primary schools in the north of Barbados. The competition aims to sensitize primary school students to the dangers associated with diabetes. It is also aimed at reducing the likelihood of children developing this disease. The competition attracted eight schools in the catchment area and was won by the St. Silas Primary School.

Sagicor General also assisted the Young Women's Christian Association (YWCA), a non-governmental non-profit organization which has been serving Barbados since 1950, with a financial donation towards their programmes and services. The YWCA aims to empower women and girls by helping them to develop their potential spiritually, intellectually and socially.

We sponsored the high performing Somerset Cricket team in Dominica as well as the 3 major limited-overs competitions in Barbados, namely the Sagicor General Super Cup, the Sagicor General Shield and the Twenty/20 competitions, held under the auspices of the Barbados Cricket Association.

CONCLUSION

On behalf of the Board of Directors we are very pleased to report that in 2012 the company performed extremely well in the face of an uncertain economic climate. We maintained a very disciplined underwriting approach and staff members were dedicated to providing a high quality of service.

We thank all Policyholders, Shareholders, Financial Advisors, Clients, Management and Staff, Brokers, Agents, Reinsurers, Attorneys and all others who may have contributed to our success and we look forward to continued excellent results in 2013.

We will maintain our high standards from our new locations and with the use of enhanced technology we will focus our attention on the motto as outlined in our Customer Service slogan, "Superior Products, Excellent Service".



M. Patricia Downes-Grant
CHAIRMAN

David A. Deane
PRESIDENT & CEO



SUPPORT

We all depend on each other for support.
Without one another, we are truly alone.

CORPORATE SOCIAL RESPONSIBILITY



Double
Crowned
Champions

Sagicor UWI players in jubilant mood after winning both the Sagicor General Twenty/20 and the Sagicor General Super Cup tournaments in 2012.



Members of the Combermere School Cricket Club celebrate their triumph in the Sagicor General Insurance Shield Final.



CORPORATE SOCIAL RESPONSIBILITY



Ms. Andrea Williams – Underwriting Supervisor of Sagicor General Insurance Inc. presents a sponsorship cheque to Ms. Paige Bryan – Past President and Miss Tamara Brathwaite – Treasurer of the Young Women’s Christian Association (YWCA)



Sagicor General Insurance Inc. was recognised for its outstanding contribution to sports during 2012, by the Barbados National Sports Council at its Annual National Sports Council Awards Ceremony. In photo Assistant Vice President of Marketing Mr. Roger Spencer receives the National Sports Council Award from Chief Executive Officer - Mr. Erskine King.



Mr. Roger Spencer, Assistant Vice President of Marketing of Sagicor General Insurance Inc. (right) and Chief Medical Officer Dr. Joy St. John (left) congratulate students of the victorious St. Silas Primary School, winners of the 2012 Maurice Byer Polyclinic Diabetes Poetry and Poster Competition for Primary schools in the north of Barbados.

CORPORATE SOCIAL RESPONSIBILITY



Mrs. Krystle Figueira (right) Administrative Assistant presents a sponsorship cheque to chairman of the Games Committee of the National Track and Field Open Championships - Mr. Allan Baboolal during the media launch at the Courtyard by Marriott. This is the 8th year in which Sagicor General has sponsored these championships.



Sagicor General and Sagicor Life teamed up with Collis King to provide technical cricket assistance to the St. Leonards Boys school. Collis King who hit 86 runs off 66 deliveries in the 1979 World cup has been providing training to the school's cricket team.



Sagicor General which has sponsored the National Junior Squash Competition since 1980, again in 2012 sponsored the Barbados Junior Squash team which attended the 30th annual Barbados Junior Squash Championships, which were held at the Liguanea Club in Kingston, Jamaica.

OUTSTANDING PERFORMANCE



Sagicor General's Vice President – Marketing & Business Development Mark Blakeley presenting the award for Top New Business Producer to Mark Brewster.



The Marketing Bonus award was received by Mr. Suleman Nana.

OUTSTANDING PERFORMANCE



Richard Bynoe received the award as the Highest Renewal Business producer for 2012.



Sagicor General Insurance's graduates of the Insurance Institute of Barbados (IIB) L-R: Alvin Barker, Joanne Hope (Eddie Gamlen Awardee), Leann Herbert, Tina Bartlett, Kerry-Ann Wilson, Cyrilene Greenidge, Cheryne Corbin, Maureen Gill, Lisa Payne (Cuthbert Bynoe Memorial Prize Winner), Ryan Roberts and Katrina Harris. Not in picture is Kim Beckles and Natasha Gamble.

ADVISE

Board of Directors

BOARD OF DIRECTORS



- 1 RAVI RAMBARRAN
- 2 ASHWELL THOMAS
- 3 DAVID A. DEANE
President and Chief Executive Officer
- 4 M. PATRICIA DOWNES-GRANT
Chairman
- 5 MARTIN J.K. PRITCHARD
Deputy Chairman
- 6 C. NATASHA SMALL
- 7 J. EDWARD CLARKE



BOARD OF DIRECTORS



M. PATRICIA DOWNES-GRANT, BA, MA, MBA, DBA

President and Chief Executive Officer - Sagicor Life Inc.

Dr Patricia Downes-Grant was appointed President and Chief Executive Officer of Sagicor Life Inc on January 1, 2006, having served as Group Chief Operating Officer, since July 1, 2002. She joined Sagicor in 1991 and held several senior positions, including those of Vice President, (Investments), and Treasurer and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer.

She holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr Patricia Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers SRL). Dr Downes-Grant has also had significant work experience in development banking. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository and a Director of several companies within the Sagicor Group and within the private sector of Barbados.



MARTIN J.K. PRITCHARD, BA(Econ), F.C.C.A., F.C.M.A

Managing Director of Goddard Enterprises Limited

Martin John Kent Pritchard is the Managing Director of Goddard Enterprises Limited. He was born in the UK, received his early education at Harrison College Barbados and graduated from Leeds University in England with a BA(Hons) in Economics. He is a fellow member of the Association of Chartered Certified Accountants (F.C.C.A) and the Chartered Institute of Management Accountants (F.C.M.A). On graduating he first worked with Touche Ross & Co. in London as an audit trainee and then joined Pricewaterhouse (now PricewaterhouseCoopers SRL) in Barbados.

He served as Financial Controller at C.F. Harrisons from 1984-1985 and in 1985 joined the Parent Company, Goddard Enterprises Limited as Group Financial Controller. He was promoted to Finance Director in 1989 and has spent the last thirty years working with the Goddard Group. This progression has provided him with an accumulation of knowledge both financial and operational, of all the Group's varied businesses. In 2006, he became Managing Director on the retirement of Mr. Joseph Goddard. Mr. Pritchard serves as Director on many boards including Jonas Browne & Hubbard (Grenada) Ltd, Scotia Insurance (Barbados) Limited and Bridgetown Cruise Terminals Inc. He is also Chairman of Globe Finance Inc. and Deputy Chairman of Sagicor General Insurance Inc. He was born in 1953.

BOARD OF DIRECTORS



DAVID A. DEANE FCII, SCM

President and Chief Executive Officer - Sagicor General Insurance Inc.

David Deane is the President and CEO of Sagicor General Insurance Inc. He has been involved in the general insurance business for more than 45 years, having commenced his insurance career in 1967 at The Barbados Fire Insurance Company, the predecessor company to Sagicor General Insurance Inc.

In 1977 Mr. Deane was appointed a member of the Task Force which established the Insurance Corporation of Barbados, a state-owned insurance company and was named as its first CEO.

Mr. Deane is a Fellow of The Chartered Insurance Institute of London, England (F.C.I.I.), and is a Past President of the Insurance Association of the Caribbean.

The Silver Crown of Merit (S.C.M.) was awarded to Mr. Deane by the Government of Barbados, for his outstanding contribution to the insurance industry. Mr. Deane will be retiring from Sagicor General this year.



J. EDWARD CLARKE FCCA, CIA

Chief Operating Officer - Sagicor Life Inc

Edward Clarke was appointed to the position of Chief Operating Officer for Sagicor Life Inc in September, 2010. Prior to this, he held the position of Group Internal Auditor. Mr. Clarke is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 25 years' experience in the field of auditing and finance.

Mr. Clarke began his accounting career at Pannell Fitzpatrick & Company Chartered Accountants (now Ernst & Young). He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Prior to joining Sagicor, Mr. Clarke was the Chief Finance Officer of Goddard Enterprises Limited. Mr. Clarke is a council member of the Chamber of Commerce, and a Director of Globe Finance Inc and Sagicor Funds Inc.

BOARD OF DIRECTORS



ASHWELL THOMAS BA, MSc, Ph.D

Divisional Manager, Human Resources - Goddard Enterprises Limited

Dr. Thomas joined Goddard Enterprises Limited in June 1996 as Divisional Manager Human Resources, where he restructured the Group's human resources functions to improve operational efficiency while adding value to the Group generally. He developed programmes to assist operating managers align human resources strategies, processes and practices with their business needs. He is also responsible for forging effective relationships between the company and the various communities.

He served on the GEL Board from 1998 - 2011. Dr. Thomas is the author of three books – “Planning for Tomorrow” (1998), “Industrial Relations Process and Practices – A Caribbean Perspective” (2009) and “Secrets to HRM Professional Effectiveness” (2011). He is a past President of the Barbados Employers Confederation and currently serves on a number of boards, including TMR Sales & Service Limited, Cave Hill School of Business, Barbados Museum and Profiles Caribbean Inc. He is a graduate of the University of the West Indies (Mona) and Kensington University (USA).



RAVI RAMBARRAN, BSc, MSc, FIA

President and Chief Executive Officer - Sagicor International

Ravi Rambarran is President and Chief Executive Officer of Sagicor International. His work experience includes Pensions Actuary of Life of Jamaica (LOJ), Appointed Actuary of Global Life Bahamas and Global Life Cayman, Chief Financial Investment Officer of LOJ, Managing Director of NCB Capital Markets and West Indian Trust Company, part-time Lecturer in Actuarial Science at the University of the West Indies and running his own actuarial practice. Prior to joining LOJ, Mr. Rambarran was a Consulting Actuary with Aon Group and the HSBC Group in the United Kingdom. Mr. Rambarran has a BSc(Hons) in Actuarial Science from City University, London, and an MS.c in Finance from the University of London. Mr. Rambarran was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, and is also a Fellow of the Institute of Actuaries.

BOARD OF DIRECTORS



C. NATASHA SMALL BSc (Hons), FCCA

Chief Financial Officer - Goddard Enterprises Limited

Mrs. Small was appointed to the position of Chief Financial Officer of Goddard Enterprises Limited effective January 1, 2008 after having acted in the post from April 1st, 2007. Previously she served as Group Financial Officer from April 1, 2006. Mrs. Small joined the Group on September 4, 2000 as Financial Controller of Hipac Limited. She held this position for five and a half years before being promoted to Head Office. Her activities involve planning and coordinating the Group's financial and investment activities as well as developing and coordinating the financial strategy of the Group; ensuring that adequate financial resources are available to accomplish the Group's business objectives; managing the corporate finance and accounting functions, managing cash flow investments and credit lines to maximise the productivity of the Group's financial resources. Mrs. Small was educated at Queens College and the Barbados Community College. She attended the University of the West Indies, Cave Hill Campus where she obtained a Bachelor of Science degree with First Class Honours in Accounting. She is a fellow of the Association of Chartered Certified Accountants (FCCA), having qualified in September 2000. Prior to joining Goddard Enterprises Limited Group, Mrs. Small worked with Ernst & Young. She is currently a part-time lecturer at the University of the West Indies Cave Hill Campus. She was born in 1977.

ACCOMPLISH

Executive Management

EXECUTIVE MANAGEMENT



DAVID A. DEANE FCII, SCM

President and Chief Executive Officer

No. of years at Sagicor General: 19

David Deane is the President and CEO of Sagicor General Insurance Inc. He has been involved in the general insurance business for more than 45 years, having commenced his insurance career in 1967 at The Barbados Fire Insurance Company, the predecessor company to Sagicor General Insurance Inc.

In 1977 Mr. Deane was appointed a member of the Task Force which established the Insurance Corporation of Barbados, a state-owned insurance company and was named as its' first CEO.

Mr. Deane is a Fellow of The Chartered Insurance Institute of London, England (F.C.I.I.), and is a Past President of the Insurance Association of the Caribbean.

The Silver Crown of Merit (S.C.M.) was awarded to Mr. Deane by the Government of Barbados, for his outstanding contribution to the insurance industry.



CHRISTOPHER MAPP BSc, FCCA,

Chief Financial Officer

No. of years at Sagicor General: 6

Chris joined Sagicor General Insurance Inc. in November 2006 with 11 years of experience in financial management which he gained in the Assurance and Business Advisory Services at PricewaterhouseCoopers.

He is currently the Chief Financial Officer and has in a very short time, made a significant contribution to the company's success. Chris is responsible for managing the accounting, finance and investment functions and is therefore responsible for ensuring that all of the financial resources needed by the company to achieve its strategic goals and objectives are available.

Mr. Mapp is a fellow of the Chartered Association of Certified Accountants.

EXECUTIVE MANAGEMENT



CHERYL JORDAN, AIIC

Vice President – Reinsurance

No. of years at Sagicor General: 31

Cheryl Jordan joined the company in 1981 and has accumulated a wealth of knowledge which has allowed her to significantly contribute to the deliberations of the Sagicor General's executive team. She has untiringly served over 34 years in the insurance industry in Barbados.

Her responsibilities include planning, coordination and general management of all activities within the Reinsurance Department to ensure that the company's exposures are adequately protected through reinsurance.

Cheryl is a Chartered Insurance Professional (CIP) having successfully completed her examinations in her field of endeavour.



CLAUDETTE ARTHUR, BSc, CGA, FCA-ICAB

Vice President – Finance

No. of years at Sagicor General: 25

Claudette has been with the company for 25 years having started with one of the predecessor companies, Barbados Commercial Insurance Company Ltd.

She holds a Bsc. in Accounting, is a Certified General Accountant (CGA) and a Fellow of the Institute of Chartered Accountants of Barbados (ICAB).

Ms. Arthur is responsible for the Accounting function as well as reporting to the Financial Services Commissions in the various territories in which the company operates.

EXECUTIVE MANAGEMENT



DIANE EDWARDS, BA, MSc

Vice President – Human Resources

No. of years at Sagicor General: 8

Diane has been involved in the discipline of Human Resources for the past 19 years. Her experience spans the retail and off-shore sectors as well as the financial sector with special emphasis on the general insurance area.

Her duties include the planning and administering of policies relating to all aspects of the company's human resources activities. Diane is responsible for the recruitment and selection process, advising management of employee relations issues, coordinating training programmes and administering the compensation and benefits programmes.

Diane has a Masters in Human Resource Management from the University of Surrey, England.



DYAN LOUTAN-ALI MBA, ACII

Vice President – Trinidad & Tobago

No. of years at Sagicor General: 3

Dyan Loutan-Ali joined the Insurance industry in 1988 when she joined NEM (West Indies) Limited. She later joined GTM Insurance Company Limited in 2000. She was subsequently promoted to the post of General Manager responsible for the day-to-day operations of the organization, a position which she held until she joined Sagicor General in October 2009. Mrs. Loutan-Ali qualified with a Masters in Business Administration from Heriot Watt University in 2006 and she is also an Associate of the Chartered Insurance Institute of London UK (ACII).

Mrs. Loutan-Ali has attended several professional courses in Trinidad & Tobago and the United States.

EXECUTIVE MANAGEMENT



MARK BLAKELEY, BSc, MBA

Vice President Marketing and Business Development.

No. of years at Sagicor General: 3

Mark holds an MBA in Marketing from the University of Tampa, Florida as well as a BSc majoring in Finance with minors in Economics and Fine Arts from the same university. He has worked in the insurance industry in Jamaica for over 12 years with responsibility for areas such as Operations, IT & Marketing in 2 of the major general insurance companies in that island. Mark has also served on the Integrated Virtual Insurance System (IVIS) sub-committee for the Jamaica Association of General Insurance Companies (JAGIC).



JEANE FORDE, CIP

Assistant Vice President – Claims

No. of years at Sagicor General: 27

Jeane Forde is an Associate of the Insurance Institute of Canada (AIIC) since October 1991. He joined the company as an Underwriter and was further promoted to the roles of Underwriting Supervisor, Branch Manager, Branch/Agency Manager, Claims Manager and is currently the Assistant Vice President Claims.

Mr. Forde performs the role of effectively managing the operation of the company's claims operations in Barbados and the Eastern Caribbean territories while developing and executing the company's policies to provide the best possible claims service.

EXECUTIVE MANAGEMENT



CHERYL ST. HILL

Assistant Vice President – Underwriting

No. of years at Sagicor General: 32

In 1980 Mrs. St. Hill joined the Underwriting department of Barbados Fire & General now Sagicor General. She pursued her studies at the Insurance Institute of Barbados for Certification Courses in various classes of business, at BIMAP for Supervisory Management as well as the Chartered Insurance Institute of London for a specialised training Certificate in International Insurance and Reinsurance Management Skills.

Her duties encompass the overall direct responsibility for the Underwriting Department which comprises of twenty-seven (27) employees.



CARLYN CRICHLAW, BSc, CPI

Assistant Vice President – Research & Development

No. of years at Sagicor General: 12

Carlyn Crichlow holds an MSc in Mathematics & Economics and has completed the CPI programme. Mrs. Crichlow started working in the insurance industry in the year 2000 as a Statistical Analyst and presently holds the post of AVP Research & Development. Her job functions are to prepare company statistics, provide insurance market, economic and other relevant information through careful research and analysis of data. Her role allows the company to maintain efficient and effective policies and procedures based on relevant market research.

EXECUTIVE MANAGEMENT



MICHAEL HOLDER

Assistant Vice President - Branch and Overseas Operations

No. of years at Sagicor General: 18

Michael Holder joined the team at Barbados Fire & General now Sagicor General in 1994 filling the role of Underwriting Supervisor. In 1998 he was appointed Branch Supervisor for the new Haggatt Hall Branch following which in 2004 he was promoted to Branch Manager. From 2005-2009 Mr. Holder was a member of the Board of Directors for Insurance Institute of Barbados and was a member of the General Insurance Association of Barbados from 2009-present. Mr. Holder now functions as Sagicor General's A.V.P. Branch & Overseas Operations with duties such as; managing staff (Branch & Overseas), monitoring and reporting on the performance of the Branch and EC territories, ensuring that the aims and objectives of the Branch and Overseas are realized. Mr. Holder is currently completing the Associate programme of The Chartered Insurance Institute.

Other programmes completed include; Supervisory Management at BIMAP, Change Management Certificate conducted by Swiss Insurance Training Centre (SITC), Effective Leadership – G.E.L. in collaboration with Cave Hill School of Continuing Studies.



DEBORAH ROMEO, FCCA, CA

Assistant Vice President – Finance – Trinidad & Tobago

No. of years at Sagicor General: 6

SGI Trinidad's AVP Finance - Deborah L. Romeo started her career as most young finance professionals do, in the audit and small business accounting arenas, at renowned Ernst and Young.

A Fellow of the Association of Chartered Certified Accountants, as well as a member of the Institute of Chartered Accountants of T&T, Deborah is an ambassador for ACCA Caribbean - specifically Trinidad and Tobago's Media Spokesperson.

She brings to Sagicor a wealth of knowledge and experience, having specialized in the field of Insurance Accounting while employed with a few of the country's leading insurers, over the past 15 years.

EXECUTIVE MANAGEMENT



DEXTER MCKNIGHT ACII

Assistant Vice President – Underwriting - Trinidad & Tobago.

No. of years at Sagicor General: 9

Dexter McKnight joined the insurance industry in 1984 (via a scholarship) and became a qualified Associate of the Chartered Insurance Institute of London in 1989.

Over the years he has held several positions within the industry and is presently the Assistant Vice President – Underwriting of Sagicor General Insurance Inc., Trinidad Branch. He is responsible for underwriting a high quality of renewal and new business for the Branch.

Dexter has been a part time lecturer for many years in all aspects of General Insurance. He has conducted several in-house programmes as well as assisted the Academy of Insurance by lecturing in various programs.



ELIZABETH STOUTE-BRATHWAITE, FCCA

Assistant Vice President – Finance

No. of years at Sagicor General: 6

Mrs. Elizabeth Stoute-Brathwaite joined the Sagicor General Insurance Company in 2006 as Accountant and was promoted to the position of Assistant Vice President of Finance in 2008.

Mrs. Stoute-Brathwaite is a Fellow of the Chartered Association of Certified Accountants and is well known for her meticulous approach to Finance matters.

Her role includes the day to day supervision of all accounting duties of Sagicor General's Accounts department as well as the preparation of monthly financials.

EXECUTIVE MANAGEMENT



ROGER SPENCER, BSc, MSc, MCIM

Assistant Vice President – Marketing

No. of years at Sagicor General: 12

Roger Spencer has 15 years experience in the Insurance industry. Eleven of these years were with Sagicor General.

Mr. Spencer holds a Bachelor's Degree in Economics and Management (Upper Second Class Honours) from The University of the West Indies, the Certificate of Proficiency in Insurance at the Insurance Institute of Barbados as well as MSc Tourism Marketing from The University of Surrey (England). He is also a member of the Chartered Institute of Marketing in London.

His duties include Strategic Planning and Market Analysis to ensure that the Sagicor General brand is enhanced. Mr. Spencer is responsible for all Advertising, Public Relations, and Marketing of the company.



FELIX GOMEZ ACII, FLMI, ACS, ARA, DIPMIA

Chartered Insurer

Assistant Vice President - Claims

No. of years at Sagicor General: 3

Felix Gomez experience in the insurance industry spans over thirty (30) years during which time he held management positions in underwriting, marketing and claims at major insurance companies and brokerage houses. He has had extensive training both locally and overseas in all areas of general insurance. In 1984 he became one of the first to receive the Diploma in Motor Insurance Claims Adjusting and Investigation from the Trinidad and Tobago Insurance Institute. He is an Associate of the Chartered Insurance Institute (ACII) of England since 1990 and was conferred the title of Chartered Insurer in 1996. He also holds the Fellow Life Management Institute (FLMI), Associate in Customer Service (ACS) and Associate in Reinsurance (ARA) designations from LOMA. Felix presently sits on TTII Council of Trustees having previously held the position of 1st Vice President before retiring by rotation in 2000. He also serves on several ATTIC sub committees.

A photograph of three young children in school uniforms, partially covered by a white sheet. The child in the center is a young girl with braided hair, smiling. The child on the left is a young girl with pigtails, also smiling. The child on the right is a young boy, looking towards the camera. The entire image has a green tint.

PROTECT

Index to the Financial Statements

Financial Statements

Notes

Index to Financial Statements

NOTE	PAGE
i	INDEPENDENT AUDITOR'S REPORT 51-52
ii	STATEMENT OF FINANCIAL POSITION 53
iii	STATEMENT OF INCOME 54
iv	STATEMENT OF COMPREHENSIVE INCOME 55
v	STATEMENT OF CHANGES IN EQUITY 56
vi	CASH FLOW STATEMENT 57
1	INCORPORATION AND PRINCIPAL ACTIVITIES 58
2	ACCOUNTING POLICIES 58-68
3	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 69
4	STATUTORY RESTRICTIONS ON ASSETS 69
5	PROPERTY, PLANT AND EQUIPMENT 70
6	INVESTMENT IN ASSOCIATED COMPANY 71
7	FINANCIAL INVESTMENTS 71
8	REINSURANCE ASSETS 72
9	NET DEFERRED INCOME TAX ASSETS 72
10	PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COST 72-73
11	MISCELLANEOUS ASSETS AND RECEIVABLES 73
12	POLICYHOLDERS' LIABILITIES 73-76
13	PROVISIONS 76
14	INCOME TAX LIABILITY 77
15	DUE TO REINSURERS, DEFERRALS AND PREMIUM TAX PAYABLE 77
16	SHARE CAPITAL 78
17	RESERVES 78
18	PREMIUM REVENUE 78
19	INVESTMENT INCOME 79
20	FEES AND OTHER REVENUE 79
21	CLAIMS INCURRED 79
22	EMPLOYEE COSTS 80
23	EMPLOYEE RETIREMENT BENEFITS 80-82
24	INCOME TAXES 82
25	DIVIDENDS PER COMMON SHARE 83
26	OTHER COMPREHENSIVE INCOME 83
27	CASH FLOWS 83-85
28	COMMITMENTS 85
29	RELATED PARTY TRANSACTIONS 85-86
30	FINANCIAL RISK 86-99
31	INSURANCE RISK 99-105
32	CAPITAL MANAGEMENT 105
33	RESTATEMENT 106-107



INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Sagicor General Insurance Inc.**

We have audited the accompanying financial statements of Sagicor General Insurance Inc., which comprise the statement of financial position as of December 31, 2012 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor General Insurance Inc., as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SEI

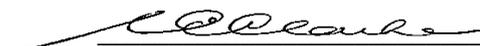
May 3, 2013
Bridgetown, Barbados

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2012

Amounts expressed in Barbados \$ 000

	Notes	<u>2012</u>	<u>Restated 2011</u>	<u>Restated 2010</u>
ASSETS				
Property, plant and equipment	5	10,457	9,015	7,816
Investment in associated company	6	3,783	3,694	3,694
Financial investments	7	77,230	59,684	55,672
Reinsurance assets	8	62,471	62,925	57,108
Income tax assets	9	87	715	968
Premiums receivable and deferred acquisition costs	10	28,660	29,848	27,015
Miscellaneous assets and receivables	11	593	1,481	1,845
Deposits with Sagicor Group companies	29	345	140	8,064
Amounts receivable from Sagicor Group companies	29	-	82	540
Cash and cash equivalents		24,962	31,519	17,243
Total assets		<u>208,588</u>	<u>199,103</u>	<u>179,965</u>
LIABILITIES				
Policyholders' liabilities	12	107,750	108,780	97,276
Provisions	13	-	237	262
Income tax liabilities	14	247	146	200
Due to reinsurers, deferrals and premium tax payable	15	23,609	23,614	22,370
Amounts payable to Sagicor Group companies	29	513	27	-
Accounts payable and accrued liabilities		6,514	2,623	1,778
Total liabilities		<u>138,633</u>	<u>135,427</u>	<u>121,886</u>
EQUITY				
Share capital	16	3,000	3,000	3,000
Reserves	17	27,779	25,898	28,590
Retained earnings		39,176	34,778	26,489
Total equity		<u>69,955</u>	<u>63,676</u>	<u>58,079</u>
Total equity and liabilities		<u>208,588</u>	<u>199,103</u>	<u>179,965</u>

These financial statements have been approved for issue by the Board of Directors on April 30, 2013.

 Director

 Director

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF INCOME
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

	Notes	<u>2012</u>	<u>Restated 2011</u>
REVENUE			
Premium revenue	18	126,917	122,066
Reinsurance expense	18	<u>(89,929)</u>	<u>(87,665)</u>
Net premium revenue		36,988	34,401
Investment income	19	3,595	7,515
Share of operating income of associated company	6	89	-
Fees and other revenue	20	<u>27,766</u>	<u>26,625</u>
Total revenue		<u>68,438</u>	<u>68,541</u>
CLAIMS INCURRED			
Claims incurred	21	32,433	41,222
Claims reinsured	21	<u>(16,383)</u>	<u>(22,924)</u>
Net claims incurred		<u>16,050</u>	<u>18,298</u>
EXPENSES			
Administrative expenses		20,707	20,030
Commissions and related compensation	10	15,847	15,255
Premium taxes		875	834
Depreciation		<u>977</u>	<u>973</u>
Total expenses		<u>38,406</u>	<u>37,092</u>
INCOME BEFORE TAXES		13,982	13,151
Income taxes	24	<u>(3,326)</u>	<u>(1,984)</u>
NET INCOME FOR THE YEAR		<u>10,656</u>	<u>11,167</u>

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF COMPREHENSIVE INCOME
 Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

	Notes	<u>2012</u>	<u>Restated 2011</u>
NET INCOME FOR THE YEAR		10,656	11,167
OTHER COMPREHENSIVE INCOME	26		
Changes in fair value reserves:			
Available for sale financial assets		617	(4,070)
Other comprehensive income for the year		617	(4,070)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,273</u>	<u>7,097</u>

The accompanying notes form an integral part of these financial statements.

**SAGICOR GENERAL INSURANCE INC.
STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

	Year ended December 31, 2012			
	Share capital Note 16	Reserves Note 17	Retained earnings	Total
Balance, beginning of year, as restated	3,000	25,898	34,778	63,676
Total comprehensive income	-	617	10,656	11,273
Other movements	-	1,264	(1,264)	-
Dividends paid (Note 25)	-	-	(4,994)	(4,994)
Balance, end of year	3,000	27,779	39,176	69,955
	Year ended December 31, 2011			
	Share capital Note 16	Reserves Note 17	Retained earnings	Total
Balance, beginning of year	3,000	28,590	27,731	59,321
As previously reported	-	-	(1,242)	(1,242)
Prior period adjustment (Note 33)				
Balance, beginning of year	3,000	28,590	26,489	58,079
Total comprehensive income	-	(4,070)	11,167	7,097
Other movements	-	1,378	(1,378)	-
Dividends paid (Note 25)	-	-	(1,500)	(1,500)
Balance, end of year	3,000	25,898	34,778	63,676

The accompanying notes form an integral part of these financial statements.

SAGICOR GENERAL INSURANCE INC.
CASH FLOW STATEMENT
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

	Notes	<u>2012</u>	<u>2011</u>
Cash flows from operating activities			
Income before taxes		13,982	13,151
Adjustments for non-cash items, interest and dividends	27	(2,646)	(4,015)
Interest and dividends received		3,256	2,311
Interest received from Sagicor Group companies		725	968
Income taxes paid		(2,597)	(1,785)
Changes in operating assets	27	(15,538)	1,923
Changes in operating liabilities	27	(1,269)	5,388
Net cash (used in)/ from operating activities		<u>(4,087)</u>	<u>17,941</u>
Cash flows from investing activities			
Property, plant and equipment	27	<u>(2,383)</u>	<u>(2,165)</u>
Net cash used in investing activities		<u>(2,383)</u>	<u>(2,165)</u>
Cash flows from financing activities			
Dividends paid to shareholders		<u>(87)</u>	<u>(1,500)</u>
Net cash used in financing activities		<u>(87)</u>	<u>(1,500)</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(6,557)</u>	<u>14,276</u>
Cash and cash equivalents, beginning of year		<u>31,519</u>	<u>17,243</u>
Cash and cash equivalents, end of year	27	<u>24,962</u>	<u>31,519</u>

The accompanying notes form an integral part of these financial statements.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The company is incorporated in Barbados and carries on general insurance business in Barbados and certain other Caribbean Islands. The company's parent company is Sagicor Life Inc. which is incorporated in Barbados. Its ultimate parent company is Sagicor Financial Corporation which is incorporated in Barbados as a public limited liability holding company.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except as modified by the revaluation of land and buildings, available for sale investments, actuarial liabilities and associated reinsurance assets.

All amounts in these financial statements are shown in thousands of Barbados dollars, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Amendments to IFRS

There are no new standards and amended standards which are effective for the 2012 financial year which have a significant impact on the presentation, measurement or disclosure in the company's financial statements.

Amended standards which are effective for the 2012 financial year that have no significant impact on the company's financial statements are listed in the following table.

IFRS	Subject of amendment
IFRS 7 – Financial Instruments: Disclosures	<p><u>Disclosures - Transfers of Financial Assets</u></p> <p>The amendments will assist users of financial statements to evaluate the risk exposures relating to transfers of assets and the effect of those risks on an entity's financial position. Disclosure requirements are set out respectively for transferred assets that are not de-recognised entirely or that are de-recognised entirely.</p>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The company has voluntarily adopted the following amendments ahead of the required dates for adoption.

IFRS	Subject of amendment	Adopted from
IAS 1 – Presentation of Financial Statements	Presentation of Items of Other Comprehensive Income	2011

(b) Future accounting developments

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The company has not adopted these. The changes which may have a significant effect on future presentation, measurement or disclosure of the company's financial statements are summarised in the following tables.

IFRS (Effective date)	Subject/ Comments
IFRS 7 – Financial Instruments: Disclosures IAS 32 - Financial Instruments Presentation (January 1, 2014)	<u>Offsetting Financial Assets and Financial Liabilities</u> These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements.
IFRS 9 – Financial Instruments (January 1, 2015)	<u>Classification and measurement of financial instruments</u> IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The determination is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 has amended the treatment, applicable to financial liabilities held at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship. This standard does not address changes contemplated by the International Accounting Standards Board with respect to the following related items: <ul style="list-style-type: none"> • impairment methodology for financial assets • hedge accounting

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject/ Comments
IFRS 10 – Consolidated Financial Statements IFRS 11 – Joint Arrangements IFRS 12 – Disclosure of Interests in Other Entities (January 1, 2013)	<p><u>Consolidation and Interests in Other Entities</u></p> <p>These new standards partially or wholly replace IAS 27, IAS 28 and IAS 31 and:</p> <ul style="list-style-type: none"> • Refine the definition of control over entities and consequently define interests that require consolidation. • Introduce new accounting requirements for joint arrangements. <p>Require enhanced disclosures about both consolidated and unconsolidated entities so that users of financial statements may evaluate the basis of control, restrictions on assets and liabilities, risk exposures from involvements with unconsolidated entities and non-controlling interests' involvement in consolidated entities.</p>
IFRS 13 - Fair Value Measurement (January 1, 2013)	<p><u>Fair Value</u></p> <p>The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements.</p> <p>The standard applies to financial and non-financial assets and liabilities that are measured at fair value. The fair value hierarchy concept defined in IFRS 7 has been transferred to and enhanced by this standard. The standard summarises the main valuation techniques which should be applied.</p> <p>Additional disclosures are required to support the Levels 1 to 3 classifications. Disclosures are also categorised according to assets/liabilities which are recurring and which are non-recurring.</p>
IAS 19 – Employee Benefits (January 1, 2013)	<p><u>Measurement</u></p> <p>The option which allows the deferral of actuarial gains and losses within the 10% corridor is withdrawn. Accordingly, changes are reported as they occur. Service cost and finance cost are to be included in income, while re-measurements are included in other comprehensive income.</p>

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.2 Investment in associated company

The investment in associated company, which is not majority-owned or controlled, is included in these financial statements under the equity method of accounting. The investment was initially recorded at cost and includes intangible assets identified on acquisition.

Accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the company.

The company recognises in income its share of the associated company's post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the company and its associate are eliminated to the extent of the company's interest in the associate. The company recognises in other comprehensive income its share of the associated company's post acquisition other comprehensive income.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each branch of the company are measured using the currency of the primary economic environment in which the branch operates (the functional currency). These financial statements are presented in thousands of Barbados dollars, which is the company's presentational currency.

The results and financial position of all branches that have a functional currency other than the presentational currency are translated into the presentational currency as follows:

- i. Income, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
- ii. Assets and liabilities are translated at the exchange rates ruling on December 31.
- iii. Resulting exchange differences are recognised in other comprehensive income.

(b) Transactions and balances

Transactions arising during the year involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities and non-monetary assets carried at fair value expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Translation differences arising from fluctuations in exchange rates related to these items are included in the Statement of Income, with the exception of equities classified as 'available for sale' which are reported as part of the fair value gain or loss in other comprehensive income.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Property, plant and equipment are recorded initially at cost.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are reported in other comprehensive income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. On disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

Depreciation is calculated on the straight-line method to write down the cost or fair value of assets to their residual values over their estimated useful lives. The rates used are as follows:

Asset	Rates
Freehold land	Nil %
Buildings	2 %
Office furnishings	10 %
Equipment	20 %
Motor vehicles	20 %

Land is not depreciated.

The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

2.5 Financial investments

The company classifies its financial investments into two categories:

- available for sale securities;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost less provision for impairment.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.5 Financial investments (continued)

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices. These assets are measured initially at cost and are subsequently re-measured at their fair value based on quoted bid prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. The previously recorded unrealised gain or loss is transferred to investment income either on the disposal of the asset or if the asset is determined to be impaired. Discounts and premiums on available for sale securities are amortised using the effective interest method.

Purchases and sales of financial investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method.

Interest income includes coupons earned on fixed income investment securities, loans and deposits and accrued discount and premium on discounted instruments. Dividends are recorded in revenue when due.

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. In estimating the fair value of non-traded financial assets, the company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale equity security is its fair value.

For an available for sale equity security, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.5 Financial investments (continued)

For an available for sale security other than an equity security, if the company assesses that there is objective evidence that the security is impaired an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances, call deposits and other liquid balances with original maturities of three months or less from the acquisition date. Cash and cash equivalents do not include balances principally of an investment nature or funds held to meet statutory requirements. Cash equivalents are subject to an insignificant risk of change in value.

2.7 Insurance contracts

(a) Classification

The company issues contracts that transfer insurance risk. Insurance contracts transfer insurance risk and may also transfer financial risk. The company defines insurance risk as an insured event which could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

(b) Recognition and measurement

The insurance contracts issued by the company are summarised below.

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one year renewable contracts issued by the company covering insurance risks over property, motor, accident and marine.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

Casualty insurance contracts provide coverage for the risk of causing physical harm to third parties. Personal accident, employers' liability and public liability are common types of casualty insurance.

Premium revenue is recognised as earned on a pro-rata basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts (continued)

Claims and loss adjustment expenses are recorded as incurred. Claim reserves represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the balance sheet date.

Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard to variations in business written and the underlying terms and conditions. The claim reserve is not discounted and is included in policyholders' liabilities.

At the balance sheet date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under claims incurred.

The company obtains reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage. Reinsurance claim recoveries are established at the time of recording of the claim liability. Profit sharing commission due to the company is recognised only when there is reasonable certainty of collectibility, at which time it is recorded as commission income.

Commission income and expense are recognised on the same basis as earned premiums ceded to reinsurers and earned premiums respectively. Deferred commission income includes commission on the unexpired portion of reinsurance ceded and deferred acquisition costs include commission on the unexpired portion of premiums written.

Premium tax and premium tax recovered are recognised as premiums are earned and reinsurance premiums are expensed respectively. Premium tax is deferred on the unexpired portion of reinsurance ceded and the unexpired portion of premiums written.

(ii) Reinsurance contracts held

As noted in section (i) above, the company may obtain reinsurance coverage for insurance risks underwritten. The company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the company of its liability.

The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, it is recorded in the statement of income. The obligations of the company under reinsurance contracts held are recognised as reinsurance liabilities or payables.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts (continued)

Reinsurance balances are measured consistently with the insurance liabilities to which they relate. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

2.8 Financial liabilities

During the ordinary course of business, the company assumes financial liabilities that expose it to financial risk. The recognition and measurement of the company's financial liabilities are disclosed in the following paragraphs.

(a) Loans Payable

Loans payable are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(b) Fair Value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial liabilities, the company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

2.9 Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.10 Fees and other revenue

Fees and other revenue are recognised on an accrual basis when the related service has been provided.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.11 Employee pension benefits

The company maintains a defined benefit plan for its employees, the assets of which are held in a fund administered by the parent company, Sagicor Life Inc.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to the income statement over the average service lives of the related employees. Past service costs are charged to the income statement on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if benefits vest immediately.

2.12 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of premium tax are as follows:

Barbados	4% - 4.75%
Eastern Caribbean	3% - 5%

(b) Income taxes

The company is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2011 are as follows:

Barbados	25% of net income
Trinidad and Tobago	25% of net income
Eastern Caribbean	30% - 40% of net income

(i) Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.12 Taxes (continued)

(ii) Deferred income taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so.

Deferred tax, related to fair value re-measurement of available for sale investments which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

2.13 Dividend distributions

Dividend distributions on the company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

2.14 Statutory reserves

Statutory reserves consist of the surplus account and the catastrophe reserve fund.

In accordance with Section 152 of the Insurance Act 1996-32, the company is required to appropriate towards surplus at least 25% of net income until such time as the surplus of the company equals or exceeds the liability in respect of unearned premiums.

In accordance with Section 155(1)(b) of the Insurance Act 1996-32, the company established a catastrophe reserve fund for the purpose of settling claims in the event of a catastrophe. The company may transfer 25% of the net written premiums from the company's property insurance business annually which is accounted for as an appropriation of retained earnings. The appropriation made in respect of the current year is \$1,264 (2011 - \$1,378).

2.15 Presentation of current and non-current assets and liabilities

In note 30.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 13 and 15 are non-current unless otherwise stated in those notes.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the company's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the company's financial statements are set out below.

3.1 Claims in the course of settlement

Claim liabilities are based on estimates due to the fact that the ultimate disposition of claims incurred prior to the balance sheet date, whether reported or not, is subject to the outcome of events that may not yet have occurred. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of casualty contracts. Events which may affect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

Any estimate of future losses is subject to the inherent uncertainties in predicting the course of future events. The two most critical assumptions made to determine claim liabilities are that the past is a reasonable predictor of the likely level of claims development and that the statistical estimation models used are fair reflections of the likely level of ultimate claims to be incurred. Consequently, the amounts recorded in respect of unpaid losses may change significantly in the short term.

Management engages independent actuaries either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims may be mitigated by recovery arising from reinsurance contracts held.

3.2 Impairment of financial assets

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

4. STATUTORY RESTRICTIONS ON ASSETS

The company is registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders.

To satisfy the above requirements, invested assets totalling \$44,662 (2011 - \$33,115) have been deposited with or are held in trust to the order of the insurance regulators.

In some countries where the company operates, there are exchange control or other restrictions on the remittance of funds out of those countries.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

5. PROPERTY, PLANT AND EQUIPMENT

	2012				
	Freehold land and building	Office furnishings	Equipment	Motor vehicles	Total
Net book value, beginning of year	4,811	1,287	2,055	862	9,015
Additions at cost	-	49	2,192	178	2,419
Disposals	-	(3)	(5)	(121)	(129)
Depreciation charge	(71)	(228)	(336)	(342)	(977)
Depreciation on disposals	-	3	5	121	129
Net book value, end of year	4,740	1,108	3,911	698	10,457
Represented by:					
Cost or valuation	5,023	4,294	10,383	1,845	21,545
Accumulated depreciation	(283)	(3,186)	(6,472)	(1,147)	(11,088)
	4,740	1,108	3,911	698	10,457
	2011				
	Freehold land and building	Office furnishings	Equipment	Motor vehicles	Total
Net book value, beginning of year	4,871	1,511	499	935	7,816
Additions at cost	16	20	2,140	257	2,433
Disposals	(5)	-	(315)	(232)	(552)
Depreciation charge	(71)	(244)	(339)	(319)	(973)
Depreciation on disposals	-	-	70	221	291
Net book value, end of year	4,811	1,287	2,055	862	9,015
Represented by:					
Cost or valuation	5,023	4,248	8,196	1,788	19,255
Accumulated depreciation	(212)	(2,961)	(6,141)	(926)	(10,240)
	4,811	1,287	2,055	862	9,015

The land and building of the company situated at Beckwith Place, Bridgetown, were independently valued at December 31, 2011 at \$5,000 by professional real estate valuers. The excess of \$129 was deemed immaterial and was not transferred to other comprehensive income.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

6. INVESTMENT IN ASSOCIATED COMPANY

The company holds 1,000,000 (2011 - 1,000,000) Class A common shares in Globe Finance Inc., a company incorporated in Barbados, which represents a 20% ownership interest and 25% voting interest. The company's share of the equity of that company comprises:

	<u>2012</u>	<u>2011</u>
Investment, beginning of year	3,694	3,694
Income before taxes	89	-
Investment, end of year	<u>3,783</u>	<u>3,694</u>

The aggregate balances and results in respect of the associated company for the period are set out below.

	<u>2012</u>	<u>2011</u>
Total assets	155,046	140,767
Total liabilities	135,126	122,346
Total revenue	17,009	16,154
Net income for the year	2,500	2,522

7. FINANCIAL INVESTMENTS

	<u>2012</u>		<u>2011</u>	
	Carrying value	Fair value	Carrying value	Fair value
Available for sale securities:				
Debt securities	1,592	1,592	1,506	1,506
Equity securities	5,734	5,734	5,515	5,515
	<u>7,326</u>	<u>7,326</u>	<u>7,021</u>	<u>7,021</u>
Loans and receivables:				
Debt securities	63,618	67,070	49,539	50,732
Mortgage loans	2,496	2,376	2,436	2,406
Deposits	3,790	3,790	688	688
	<u>69,904</u>	<u>73,236</u>	<u>52,663</u>	<u>53,826</u>
Total financial investments	<u>77,230</u>	<u>80,562</u>	<u>59,684</u>	<u>60,847</u>

Debt securities comprise:

	<u>2012</u>	<u>2011</u>
Government and government-guaranteed debt securities	54,377	42,460
Other securities	10,833	8,585
	<u>65,210</u>	<u>51,045</u>

Debt securities include \$2,500 that contain options to convert to common shares of the issuer.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

8. REINSURANCE ASSETS

	<u>2012</u>	<u>2011</u>
Claim recoveries from reinsurers (note 12)	24,011	23,756
Unearned premiums ceded to reinsurers (note 12)	38,460	39,169
	<u>62,471</u>	<u>62,925</u>

9. INCOME TAX ASSETS

	<u>2012</u>	<u>Restated 2011</u>
Income and withholding taxes recoverable	87	715
Deferred tax assets not recognised consist of:		
Tax losses	174	365
Accelerated tax depreciation	(1)	-
	<u>173</u>	<u>365</u>

Income and withholding taxes recoverable are expected to be recovered within one year of the financial statements date.

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS

	<u>2012</u>	<u>2011</u>
Premiums in the course of collection	19,800	20,661
Deferred commission expense	7,703	8,007
Deferred premium tax	1,157	1,180
	<u>28,660</u>	<u>29,848</u>

The movement in deferred asset balances for the year is as follows:

	<u>2012</u>	<u>2011</u>
Deferred commission expense		
Balance, beginning of year	8,007	7,566
Commission paid	15,543	15,696
Commission expense	(15,847)	(15,255)
	<u>7,703</u>	<u>8,007</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS (continued)

	<u>2012</u>	<u>2011</u>
Deferred premium tax		
Balance, beginning of year	1,180	1,135
Premium tax paid	2,389	2,399
Premium taxes expense	<u>(2,412)</u>	<u>(2,354)</u>
Balance, end of year	<u>1,157</u>	<u>1,180</u>

11. MISCELLANEOUS ASSETS AND RECEIVABLES

	<u>2012</u>	<u>2011</u>
Pension plan assets (note 23)	58	56
Other accounts receivable	<u>535</u>	<u>1,425</u>
	<u>593</u>	<u>1,481</u>

12. POLICYHOLDERS' LIABILITIES

	<u>2012</u>	<u>2011</u>
Claims in the course of settlement	45,316	45,823
Provision for unearned premiums	<u>62,434</u>	<u>62,957</u>
	<u>107,750</u>	<u>108,780</u>

12.1 Claims in the course of settlement

(a) Analysis of claims in the course of settlement

	<u>2012</u>	<u>2011</u>
Property business	1,772	5,030
Motor business	31,791	29,303
Accident and liability business	11,672	11,325
Marine business	<u>81</u>	<u>165</u>
	<u>45,316</u>	<u>45,823</u>

Claims in the course of settlement include \$16,067 (2011 - \$15,505) in provisions for claims incurred but not yet reported.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

The associated reinsurance recoveries from claims in the course of settlement are in respect of:

	2012	2011
Property business	1,238	3,405
Motor business	16,195	14,318
Accident and liability business	6,570	6,047
Marine business	8	(14)
	<u>24,011</u>	<u>23,756</u>

(b) Movement in claims in the course of settlement

The movement in claims in the course of settlement for the year is as follows:

	2012	2011
Balance, beginning of year	45,823	36,495
Claims incurred (note 21)	32,433	41,222
Claims paid	(32,940)	(31,894)
Balance, end of year	<u>45,316</u>	<u>45,823</u>

The movement in claims in the course of settlement includes the following amounts which are recoverable from reinsurers:

	2012	2011
Balance, beginning of year	23,756	17,703
Ceded in year (note 21)	16,383	22,924
Claim recoveries	(16,128)	(16,871)
Balance, end of year (note 8)	<u>24,011</u>	<u>23,756</u>

The valuation of claims liabilities is sensitive to the underlying assumptions used which are based on historical development patterns for incurred and paid to date claims. A 10% increase in development would result in an increase in gross reserves and reinsurance recoveries of \$1,232 and \$611 (2011 - \$1,025 and \$459) respectively and a \$621 (2011 - \$566) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of \$1,258 and \$620 (2011 - \$1,046 and \$467) respectively and a \$638 (2011 - \$579) increase in income from ordinary activities.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

The development of claims in the course of settlement provides a measure of the company's ability to estimate the ultimate value of claims incurred. The top half of the tables below illustrate how the estimate of total claims incurred for each year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims incurred to the liability included in the current balance sheet. The disclosures are by accident year which is the financial period in which the claim is incurred.

	2008	2009	2010	2011	2012	Total
Gross						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	33,904	30,676	36,579	35,912	32,156	169,227
One year later	32,478	30,060	35,624	34,709	-	-
Two years later	32,173	30,347	35,077	-	-	-
Three years later	32,271	32,016	-	-	-	-
Four years later	32,790	-	-	-	-	-
Current estimate of ultimate claims incurred	32,790	32,016	35,077	34,709	32,156	166,748
Cumulative payments to date	(29,273)	(26,517)	(28,476)	(26,511)	(18,814)	(129,591)
Liability recognised in the balance sheet	3,517	5,499	6,601	8,198	13,342	37,157
Liability in respect of prior years						7,153
Liability for unallocated loss adjustment expenses						1,006
Total liability included in the balance sheet						45,316
Net favourable/ (unfavourable) development	1,114	(1,340)	1,502	1,203	-	2,479
	2008	2009	2010	2011	2012	Total
Reinsurance						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	18,820	16,418	21,334	19,157	16,460	92,189
One year later	19,045	16,044	20,732	17,950	-	-
Two years later	18,755	15,994	20,543	-	-	-
Three years later	18,783	16,759	-	-	-	-
Four years later	19,033	-	-	-	-	-
Current estimate of ultimate claims incurred	19,033	16,759	20,543	17,950	16,460	90,745
Cumulative payments to date	(17,070)	(14,040)	(16,307)	(13,987)	(9,496)	(70,900)
Asset recognised in the balance sheet	1,963	2,719	4,236	3,963	6,964	19,845
Liability in respect of prior years						4,166
Total asset included in the balance sheet						24,011
Net favourable/ (unfavourable) development	(213)	(341)	791	1,207	-	1,444

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.2 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	2012	2011
Property business	30,430	31,268
Motor business	23,187	23,194
Accident and liability business	7,917	7,514
Marine business	900	981
	<u>62,434</u>	<u>62,957</u>

The associated unearned premiums ceded to reinsurers:

Property business	22,961	23,758
Motor business	11,678	11,672
Accident and liability business	3,819	3,710
Marine business	2	29
	<u>38,460</u>	<u>39,169</u>

(b) Movement in provision for unearned premiums

The movement in the provision for unearned premium for the year is as follows:

	2012	2011
Balance, beginning of year	62,957	60,781
Premiums written	126,394	124,242
Premium revenue (note 18)	(126,917)	(122,066)
Balance, end of year	<u>62,434</u>	<u>62,957</u>

The movement in unearned premiums ceded to reinsurers is as follows:

	2012	2011
Balance, beginning of year	39,169	39,405
Reinsurance on premiums written	89,220	87,429
Reinsurance expense (note 18)	(89,929)	(87,665)
Balance, end of year (note 8)	<u>38,460</u>	<u>39,169</u>

13. PROVISIONS

	2012	2011
Pensions plan (note 23)	<u>-</u>	<u>237</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

14. INCOME TAX LIABILITIES

	2012	Restated 2011
Deferred income tax liabilities	210	146
Income taxes payable	37	-
	<u>247</u>	<u>146</u>
Analysis of deferred income tax liabilities:		
Accelerated tax depreciation	147	143
Pensions and other retirement benefits	15	(45)
Other items	48	48
	<u>210</u>	<u>146</u>
Deferred income tax liabilities to be settled after one year	<u>210</u>	<u>146</u>

Income taxes payable are expected to be settled within one year of the financial statements date.

15. DUE TO REINSURERS, DEFERRALS AND PREMIUM TAX PAYABLE

	2012	Restated 2011
Amounts due to reinsurers	5,674	4,331
Deferred commission income	13,945	14,774
Premium tax payable	3,257	3,764
Deferred premium tax	733	745
	<u>23,609</u>	<u>23,614</u>

The movement in deferred liability balances for the year is as follows:

	2012	Restated 2011
Deferred commission income		
Balance, beginning of year	14,774	10,849
Commission received	18,366	22,879
Commission earned (note 20)	(19,195)	(18,954)
	<u>13,945</u>	<u>14,774</u>
Deferred premium tax		
Balance, beginning of year	745	746
Premium tax recoveries	1,524	1,519
Premium taxes earned	(1,536)	(1,520)
	<u>733</u>	<u>745</u>
Balance, end of year	<u>733</u>	<u>745</u>

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

16. SHARE CAPITAL

The company is authorised to issue an unlimited number of common shares with no par value

	2012	2011
Issued 2,000,000 shares, with no par value	3,000	3,000

17. RESERVES

	2012	2011
Fair value reserve - available for sale investment securities:		
Balance, beginning of year	1,742	5,812
Total comprehensive income (note 26)	617	(4,070)
Balance, end of year	2,359	1,742
Fair value reserve - owner occupied property:		
Balance, beginning and end of year	3,577	3,577
Statutory reserves:		
Balance, beginning of year	20,579	19,201
Other movements	1,264	1,378
Balance, end of year	21,843	20,579
Reserves, end of year	27,779	25,898

18. PREMIUM REVENUE

	Premium revenue		Reinsurance expense	
	2012	2011	2012	2011
Property business	63,868	60,937	58,442	56,671
Motor business	46,018	43,469	23,567	22,373
Accident and liability business	15,166	15,647	7,722	8,352
Marine business	1,865	2,013	198	269
	126,917	122,066	89,929	87,665

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

19. INVESTMENT INCOME

	<u>2012</u>	<u>2011</u>
Interest income:		
Debt securities	2,931	2,160
Mortgage loans	111	109
Deposits	512	960
Dividend income	378	697
Net (losses)/ gains on financial investments	(311)	3,483
Other investment income	(26)	106
	<u>3,595</u>	<u>7,515</u>

The company operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the company. Because the type of financial market is incidental and not by choice, the company manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice.

20. FEES AND OTHER REVENUE

	<u>2012</u>	<u>Restated 2011</u>
Commission income on insurance ceded to reinsurers (note 15)	19,195	18,954
Fees, other revenue and profit commission	8,286	7,294
Miscellaneous income	285	377
	<u>27,766</u>	<u>26,625</u>

21. CLAIMS INCURRED

	<u>Claims incurred</u>		<u>Claims reinsured</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Property business	1,991	6,856	1,511	4,870
Motor business	26,465	30,115	13,238	15,809
Accident and liability business	3,829	4,066	1,612	2,234
Marine business	148	185	22	11
	<u>32,433</u>	<u>41,222</u>	<u>16,383</u>	<u>22,924</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

22. EMPLOYEE COSTS

Included in administrative expenses are the following:

	2012	2011
Administrative staff salaries, directors' fees and other short-term benefits	10,240	10,064
Employer's contributions to social security schemes	649	574
Employer's contribution to group health and life	416	348
Costs - defined benefit pension scheme (note 23)	635	681
	<u>11,940</u>	<u>11,667</u>

23. EMPLOYEE RETIREMENT BENEFITS

The company has a contributory defined benefit pension scheme in place for eligible administrative staff. The plan, which is managed by Sagicor Life Inc., was valued on December 31, 2012.

The amounts recognised in the financial statements are as follows:

	2012	2011
Fair value of pension plan assets	9,728	8,521
Present value of pension obligations	<u>(12,756)</u>	<u>(9,293)</u>
	(3,028)	(772)
Unrecognised actuarial losses	<u>3,086</u>	<u>591</u>
Amounts recognised in the financial statements	<u>58</u>	<u>(181)</u>
Represented by:		
Asset balances (note 11)	58	56
Liability balances (note 13)	<u>-</u>	<u>(237)</u>
	<u>58</u>	<u>(181)</u>

The net benefit defined obligation and experience adjustments for the last 5 years are as follows:

	2012	2011	2010	2009	2008
Present value of retirement obligations	(12,756)	(9,293)	(8,391)	(7,947)	(7,565)
Fair value of plan assets	9,728	8,521	7,205	6,455	5,569
Net obligation	<u>(3,028)</u>	<u>(772)</u>	<u>(1,186)</u>	<u>(1,492)</u>	<u>(1,996)</u>
Experience adjustments on:					
Plan liabilities	(1,602)	418	599	754	(42)
Plan assets	<u>(19)</u>	<u>(18)</u>	<u>(390)</u>	<u>(148)</u>	<u>(178)</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

23. EMPLOYEE RETIREMENT BENEFITS (continued)

The amounts recognised in the income statement are as follows:

	2012	2011
Current service cost	549	443
Interest cost	768	687
Net actuarial losses recognised during the year	-	24
Past service cost	-	36
Curtailement loss	-	69
Expected return on pension plan assets	(682)	(578)
Pension cost (note 22)	<u>635</u>	<u>681</u>

The actual return on retirement plan assets was \$194 (2011 – \$559).

The movement in the fair value of retirement plan assets is as follows:

	2012	2011
Plan assets, beginning of year	8,521	7,205
Expected return on plan assets	682	578
Actuarial gains and losses	(489)	(18)
Contributions made by the company	874	672
Contributions made by plan participants	219	154
Benefits paid	(79)	(70)
Plan assets, end of year	<u>9,728</u>	<u>8,521</u>

For the next financial year, the total contributions to be made by the company are estimated at \$871 (2011 - \$690). Plan assets are equity and debt linked pension funds under administration.

The movement in the retirement obligations is as follows:

	2012	2011
Retirement obligations, beginning of year	9,293	8,391
Current service cost	722	443
Contributions paid by employees	45	155
Interest cost	768	687
Actuarial gains and losses	2,007	(418)
Benefits paid	(79)	(70)
Past service cost	-	36
Curtailements	-	69
Retirement obligations, end of year	<u>12,756</u>	<u>9,293</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

23. EMPLOYEE RETIREMENT BENEFITS (continued)

The principal actuarial assumptions used were as follows:

	<u>Barbados</u>	<u>Trinidad</u>
Discount rate	7.8%	5.5%
Expected return on plan assets	7.8%	5.5%
Future salary increases	6.5%	4.0%
Future pension increases	2.5%	1.0%
Portion of employees opting for early retirement	0.0%	0.0%
Future changes in National Insurance Scheme Ceilings	3.5%	4.0%

24. INCOME TAXES

The income tax expense is comprised of:

	<u>2012</u>	<u>Restated 2011</u>
Current tax	3,262	1,646
Deferred tax	64	338
	<u>3,326</u>	<u>1,984</u>

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	<u>2012</u>	<u>Restated 2011</u>
Income subject to tax	13,982	13,151
Tax calculated at a tax rate of 25 %	3,496	3,288
Different tax rates in other countries	9	25
Income taxed at different rates	(38)	(34)
Under/ (Over) provision of current tax	276	(41)
Over provision of deferred tax	(147)	-
Movement in deferred tax asset not recognised	(192)	(91)
Transfer to catastrophe reserve deductible for tax	(261)	(271)
Tax allowances	(11)	(11)
Expenses not deductible for tax	336	332
Income not subject to tax	(228)	(1,296)
Other taxes	86	83
	<u>3,326</u>	<u>1,984</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

25. DIVIDENDS PER COMMON SHARE

In respect of financial year 2011, a dividend of 250 cents per share was declared in 2012.

In respect of financial year 2010, a dividend of 135 cents per share was declared. An interim dividend of 60 cents was declared and paid in 2010. A final dividend of 75 cents was declared and paid in 2011.

26. OTHER COMPREHENSIVE INCOME

2012	Before tax	Tax	After tax
Fair value reserves – available for sale assets:			
Gains arising on revaluation	306	-	306
Losses transferred to income on disposal or impairment	311	-	311
	<hr/>		<hr/>
Other comprehensive income for the year	617	-	617
	<hr/>		<hr/>
2011	Before tax	Tax	After tax
Fair value reserves – available for sale assets:			
Losses arising on revaluation	(587)	-	(587)
Gains transferred to income on disposal or impairment	(3,483)	-	(3,483)
	<hr/>		<hr/>
Other comprehensive income for the year	(4,070)	-	(4,070)
	<hr/>		<hr/>

27. CASH FLOWS

27.1 Operating activities

	2012	2011
Adjustments for non-cash items, interest and dividends		
Increase in provision for unearned premiums, net of reinsurance	186	2,412
Interest income	(3,554)	(3,228)
Dividend income	(378)	(697)
Net losses/ (gains) on financial investments	311	(3,483)
Increase in provision for impairment	-	(117)
Share of operating income of associated companies	(89)	-
Movement in recognised employee retirement benefits	(239)	11
Depreciation	977	973
(Gain)/ loss on disposal of property, plant and equipment	(36)	7
Amortisation on bonds	136	(3)
Exchange loss	40	110
	<hr/>	<hr/>
	(2,646)	(4,015)
	<hr/>	<hr/>

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

27. CASH FLOWS (continued)

27.1 Operating activities (continued)

	2012	2011
Changes in operating assets		
Debt securities	(14,346)	(15,743)
Equity securities	-	4,409
Mortgage loans	(60)	(87)
Deposits	(3,087)	7,467
Receivables and other assets	1,955	5,877
	<u>(15,538)</u>	<u>1,923</u>
Debt securities		
Purchases	(37,729)	(24,427)
Proceeds on maturities and disposals	23,383	8,684
	<u>(14,346)</u>	<u>(15,743)</u>
Equity securities		
Disposal proceeds	-	4,409
	<u>-</u>	<u>4,409</u>
	2012	2011
Changes in operating liabilities		
Claims in the course of settlement, net of reinsurance	(760)	3,274
Other liabilities and payables	(509)	2,114
	<u>(1,269)</u>	<u>5,388</u>
27.2 Investing activities		
	2012	2011
Property, plant and equipment		
Purchases	(2,419)	(2,201)
Disposal proceeds	36	36
	<u>(2,383)</u>	<u>(2,165)</u>

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

27. CASH FLOWS (continued)

27.3 Cash and cash equivalents

	<u>2012</u>	<u>2011</u>
Cash resources	12,275	18,482
Term deposits and T Bills with original maturities of less than 90 days	<u>12,687</u>	<u>13,037</u>
	<u>24,962</u>	<u>31,519</u>

28. COMMITMENTS

In the normal course of business, the company enters into commitments at the date of the financial statements for which no provision has been made in these financial statements. Non-cancellable commitments for disbursements relating to the purchase of a new insurance software package are disclosed in note 30.2(a).

29. RELATED PARTY TRANSACTIONS

29.1 Key management

Key management comprises directors and senior management of the company. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals were as follows:

	<u>2012</u>	<u>2011</u>
Compensation		
Salaries, directors' fees and other short-term benefits	2,068	1,603
Pension and other retirement benefits	<u>132</u>	<u>116</u>
	<u>2,200</u>	<u>1,719</u>

	<u>Mortgage and staff loans</u>
Balance, beginning of year	732
Advances	74
Repayments	<u>(178)</u>
Balance, end of year	<u>628</u>

Mortgage loans bear interest at the rate of 5.5%. Other staff loans bear interest at 7.5%.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

29. RELATED PARTY TRANSACTIONS (continued)

29.2 Other related party transactions

Balances at year end and transactions for the year with related parties are as follows:

	<u>2012</u>	<u>2011</u>
Premium income	6,958	6,863
Management fees	(723)	(844)
Investment income	436	426
Dividend income	200	340
Rental expense	(969)	(856)

Deposits with related parties amounted to \$345 (2011 - \$140) and bear interest at 4.0% (2011 - 4.0%). There were no amounts receivable from related parties (2011 - \$82). Amounts payable to related parties amounted to \$513 (2011 - \$27) and are interest free with no stated terms of repayment. Premiums receivable amounted to \$971 (2011 - \$754).

30. FINANCIAL RISK

The company's activities of issuing insurance contracts, investing insurance premium in a variety of financial and other assets and dealing in securities exposes the company to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in note 31.

The overriding objective of the company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the company accepts certain levels of risk in order to generate returns and manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

30.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the company. Credit risk is primarily associated with financial investments, premiums in the course of collection, reinsurance contracts held and cash and cash equivalents.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing staff loans only after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

The company has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	C
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	D
		10	Loss			D	

The company applies this rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits and cash balances;
- Lending portfolios comprising mortgages; and
- Reinsurance exposures comprising realistic disaster scenarios (see note 31.2).

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

The maximum exposures of the company to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2012		2011	
	\$	%	\$	%
Debt securities	65,210	46.2	51,045	38.7
Mortgage loans	2,496	1.8	2,436	1.8
Deposits	3,790	2.7	688	0.5
Reinsurance assets	24,011	17.0	23,756	18.0
Premiums in the course of collection	19,800	14.0	20,661	15.7
Deposits with Sagicor Group companies	345	0.2	140	0.2
Amounts receivable from Sagicor Group companies	-	0.0	82	0.1
Other accounts receivable	535	0.4	1,425	1.1
Cash resources	24,962	17.7	31,519	23.9
Total balance sheet exposures	141,149	100.0	131,752	100.0

The company's largest exposures to individual counterparty credit risks as of December 31 are set out below. The individual ratings reflect the rating of the counterparty listed while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	2012	Sagicor Risk Rating	2011
Debt securities:				
Government of Trinidad and Tobago	2	36,902	2	29,696
Government of Barbados	4	14,721	3	9,718
Sagicor Financial Corporation	4	6,033	3	6,189
Deposits & cash				
RBTT Bank Limited	3	8,942	3	12,572
CIBC FirstCaribbean	2	4,112	2	6,997
The Bank of Nova Scotia	1	5,469	1	3,707
Claim recoveries				
Aon Re Canada Inc.	2	23,013	2	22,942

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

The results of the risk rating of investment portfolios are as follows:

Category		Sagicor Risk Rating	Classification	2012		2011	
				Exposure \$	Exposure %	Exposure \$	Exposure %
Non-default	Investment grade	1	Minimal risk	8,951	9.3	1,526	1.8
		2	Low risk	41,255	42.8	49,649	57.9
		3	Moderate risk	14,391	14.9	20,221	23.6
	Non- investment grade	4	Acceptable risk	24,130	25.0	1,763	2.1
		5	Average risk	7,564	7.8	12,529	14.6
	Watch	6	Higher risk	167	0.2	-	-
		7	Special mention	-	-	-	-
Default		8	Substandard	-	-	-	-
		9	Doubtful	-	-	-	-
		10	Loss	-	-	-	-
TOTALS				96,458	100.0	85,688	100.0

Exposure to credit risk is also managed in part by obtaining collateral for mortgage loans. The collateral is real estate property, and the approved loan limit is 95% of collateral value. The collateral for vehicle loans to staff is the vehicle and the approved loan limit is 95% to 100% of the collateral value. Unsecured staff loans are only granted when the initial amount does not exceed three times the monthly salary of the employee.

All mortgage loans relate to properties in Barbados.

For insurance premiums receivable, the company frequently provides settlement terms to customers and intermediaries which extend up to 11 months.

(a) Past due and impaired financial assets

A financial asset is past due when a counterparty has failed to make payment when contractually due. The company is most exposed to the risk of past due assets with respect to its premiums receivable and its financial investments namely its debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the company's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of financial assets analysed by past due or impairment status.

	Debt securities	Mortgage loans	Premiums in the course of collection
2012			
Neither past due nor impaired	64,710	2,238	-
Past due up to 12 months, but not impaired	500	78	19,444
Past due up to 5 years, but not impaired	-	180	-
Total past due but not impaired	500	258	19,444
Impaired assets	-	-	356
Total carrying value	65,210	2,496	19,800
Accumulated allowances on impaired assets	-	-	356
2011			
Neither past due nor impaired	51,045	2,172	-
Past due up to 12 months, but not impaired	-	-	20,305
Past due up to 5 years, but not impaired	-	264	-
Total past due but not impaired	-	264	20,305
Impaired assets	-	-	356
Total carrying value	51,045	2,436	20,661
Accumulated allowances on impaired assets	-	-	356

Premiums in the course of collection are considered to be impaired if the balance has been outstanding for more than 365 days. Under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk

Liquidity risk is the exposure that the company may encounter difficulty in meeting obligations associated with financial or insurance liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns. The company monitors cash inflows and outflows in each operating currency. Through experience and monitoring, the company is able to maintain sufficient liquid resources to meet current obligations.

The company is exposed to daily calls on its available cash resources to pay claims, and for operating expenses and taxes. The company does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

(a) Financial liabilities and commitments

The maturity profiles of the company's financial liabilities and commitments are summarised in the following tables. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

2012	On demand or within 1 year	1 to 5 years	Total
Financial liabilities:			
Due to re-insurers and premium tax	8,931	-	8,931
Amounts payable to Sagicor Group companies	513	-	513
Accounts payable and accrued liabilities	6,514	-	6,514
Total financial liabilities	15,958	-	15,958

2011	On demand or within 1 year	1 to 5 years	Total
Financial liabilities:			
Due to re-insurers and premium tax	8,095	-	8,095
Amounts payable to Sagicor Group companies	27	-	27
Accounts payable and accrued liabilities	2,623	-	2,623
Total financial liabilities	10,745	-	10,745

Off financial statement commitments related to the purchase of a new insurance software package totalled \$824 (2011 - \$1,534).

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk (continued)

(b) Insurance liabilities

The maturity profiles of the company's monetary policyholders' liabilities are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2012				
Policyholders' liabilities	28,919	16,397	-	45,316
2011				
Policyholders' liabilities	27,857	17,966	-	45,823

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements.

	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2012				
Debt securities	22,326	18,198	24,686	65,210
Mortgage loans	229	679	1,588	2,496
Deposits	3,790	-	-	3,790
Reinsurance assets	16,351	7,660	-	24,011
Premiums in the course of collection	19,800	-	-	19,800
Deposits with Sagicor Group companies	345	-	-	345
Other accounts receivable	150	385	-	535
Cash resources	24,962	-	-	24,962
Total	87,953	26,922	26,274	141,149

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk (continued)

2011	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	11,324	17,722	21,999	51,045
Mortgage loans	206	707	1,523	2,436
Deposits	688	-	-	688
Reinsurance assets	14,695	9,061	-	23,756
Premiums in the course of collection	20,661	-	-	20,661
Deposits with Sagicor Group companies	140	-	-	140
Amounts receivable from Sagicor Group companies	82	-	-	82
Other accounts receivable	968	457	-	1,425
Cash resources	31,519	-	-	31,519
Total	80,283	27,947	23,522	131,752

30.3 Interest rate risk

The company is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the company in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

For financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The company is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The company manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the company's monetary insurance and financial liabilities. It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

2012	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Policyholders' liabilities	-	-	-	45,316	45,316
Due to re-insurer and premium tax	-	-	-	8,931	8,931
Payable to Sagicor Group companies	-	-	-	513	513
Accounts payable and accrued liabilities	-	-	-	6,514	6,514
Total	-	-	-	61,274	61,274
2011					
Policyholders' liabilities	-	-	-	45,823	45,823
Due to re-insurer and premium tax	-	-	-	8,095	8,095
Payable to Sagicor Group companies	-	-	-	27	27
Accounts payable and accrued liabilities	-	-	-	2,623	2,623
Total	-	-	-	56,568	56,568

The table below summarises the exposures to interest rate and reinvestment risks of the company's monetary insurance and financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets are categorised by their expected maturities.

2012	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	20,935	18,198	24,686	1,391	65,210
Mortgage loans	229	679	1,588	-	2,496
Deposits	3,737	-	-	53	3,790
Reinsurance assets	-	-	-	24,011	24,011
Premiums in the course of collection	-	-	-	19,800	19,800
Deposits with Sagicor Group companies	345	-	-	-	345
Other accounts receivable	150	385	-	-	535
Cash resources	3,003	-	-	21,959	24,962
Total	28,399	19,262	26,274	67,214	141,149

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.3 Interest rate risk (continued)

2011	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	9,802	17,722	21,999	1,522	51,045
Mortgage loans	206	707	1,523	-	2,436
Deposits	650	-	-	38	688
Reinsurance assets	-	-	-	23,756	23,756
Premiums in the course of collection	-	-	-	20,661	20,661
Deposits with Sagicor Group companies	140	-	-	-	140
Receivable from Sagicor Group companies	-	-	-	82	82
Other accounts receivable	250	457	-	718	1,425
Cash resources	17,030	-	-	14,489	31,519
Total	28,078	18,886	23,522	61,266	131,752

The table below summarises the average interest yields on financial assets held during the year.

	2012	2011
Debt securities	4.9%	5.2%
Mortgage loans	5.5%	5.5%
Deposits	2.9%	4.2%

Sensitivity

Sensitivity to interest rate risk is considered by the company. The company's operations are not exposed to a significant degree of interest rate risk.

30.4 Foreign exchange risk

The company is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. A limited proportion is invested in United States dollar assets which management considers diversifies the range of investments available, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.4 Foreign exchange risk (continued)

Monetary assets and liabilities by currency are summarised in the following tables.

2012	Barbados \$	Trinidad \$	Other currencies	Total
ASSETS				
Financial investments	18,487	26,477	26,532	71,496
Reinsurance assets	7,209	15,170	1,632	24,011
Receivables	7,835	10,817	1,683	20,335
Deposits with Sagicor Group companies	345	-	-	345
Receivable from Sagicor Group	-	-	-	-
Cash resources	3,533	16,476	4,953	24,962
Total financial and insurance assets	37,409	68,940	34,800	141,149
LIABILITIES				
Policyholders' liabilities	15,089	28,417	1,810	45,316
Payable to Sagicor Group companies	153	75	285	513
Payables	7,872	1,745	5,828	15,445
Total financial and insurance liabilities	23,114	30,237	7,923	61,274
Net position	14,295	38,703	26,877	79,875
2011				
ASSETS				
Financial investments	15,959	17,505	20,705	54,169
Reinsurance assets	6,450	15,935	1,371	23,756
Receivables	7,950	12,010	2,126	22,086
Deposits with Sagicor Group companies	140	-	-	140
Receivable from Sagicor Group companies	-	82	-	82
Cash resources	5,365	15,740	10,414	31,519
Total financial and insurance assets	35,864	61,272	34,616	131,752
LIABILITIES				
Policyholders' liabilities	13,965	29,926	1,932	45,823
Payable to Sagicor Group companies	27	-	-	27
Payables	2,441	7,177	1,100	10,718
Total financial and insurance liabilities	16,433	37,103	3,032	56,568
Net position	19,431	24,169	31,584	75,184

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.4 Foreign exchange risk (continued)

Sensitivity

The exposure to currency risk results primarily from currency risk relating to the future cash flows of monetary financial instruments. This occurs when a financial instrument is denominated in a currency other than the functional currency of the unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at balance sheet date and the exchange gain or loss is taken to income.

Financial instruments held by branches are predominantly denominated in the branches' functional currency and as such branches are not exposed to significant exposure from fluctuations in exchange rates.

30.5 Fair value of financial instruments

(a) Financial instruments carried at amortised cost

The carrying values of the company's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value, except as disclosed in note 7.

In estimating the fair value of non-traded financial assets, the company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(b) Financial instruments carried at fair value

Financial instruments carried at fair value in the financial statements are measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.5 Fair value of financial instruments (continued)

- (i) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

- (ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

The techniques and methods described in 30.5 (a) for non traded financial assets and liabilities may also be used in determining the fair value of Level 2 instruments.

- (iii) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 available for sale securities comprise of corporate equity instruments issued in Barbados. The fair values of these instruments have been derived using the techniques and methods described in 30.5 (a) for non traded financial assets and liabilities.

The following table presents the financial assets carried at fair value by level of the fair value hierarchy.

Available for sale securities:	Level 1	Level 2	Level 3	Total
2012				
Debt securities	1,592	-	-	1,592
Equity securities	5,332	-	402	5,734
	6,924	-	402	7,326

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.5 Fair value of financial instruments (continued)

Available for sale securities:	Level 1	Level 2	Level 3	Total
2011				
Debt securities	1,506	-	-	1,506
Equity securities	5,113	-	402	5,515
	6,619	-	402	7,021

There were no transfers occurring in 2012 or 2011 between levels 1, 2 and 3.

The company is exposed to equity price risk arising from changes in the market values of its equity securities. The company mitigates this risk by holding a diversified portfolio and by minimising the use of equity securities to back its insurance and financial liabilities.

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale.

The effect of an across the board 20% change in equity prices of the company's available for sale equity securities as of the balance sheet date on total comprehensive income before tax is as follows:

	Carrying value	Effect of a 20% change
Available for sale equity securities:		
Listed on Caribbean stock exchanges and markets	5,734	1,147

The effect of the fluctuation on available for sale debt securities would not be material to these financial statements.

31. INSURANCE RISK

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the company. In establishing the amount of premium, the company principally assesses the estimated benefits which may be payable under the contract. In determining the premium payable under the contract, the company considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles to limit amounts of potential losses incurred.

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

A proportion of risks assumed are written by third parties under delegated underwriting authorities. The third parties are assessed in advance and are subject to authority limits and reporting procedures. The performance of contracts written by each delegated authority is monitored periodically.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim. Settlement of these benefits is expected generally within six months. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are underwriting, claims, availability of reinsurance and claims liability estimation and credit risk in respect of reinsurance counterparties.

31.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the business as a whole. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Pricing techniques are subject to constant review from independent pricing audits, claims patterns, underwriters' input, market developments and actuarial best practice. There are minimum pricing margins for each class of business.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the company is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- Attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- Large losses, such as major fires and accidents, which are expected to be relatively infrequent, are greater than established threshold amounts;
- Catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause such as hurricanes or earthquakes, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The company records claims based on submissions made by claimants. In certain instances additional information is obtained from loss adjustors, medical reports and other specialist sources. However, the possibility exists that claim submissions are either fraudulent or are not covered under the terms of the policy. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claim risk may arise from

- Invalid claim submissions;
- The frequency of incurred claims;
- The severity of incurred claims;
- The development of incurred claims.

The company carries significant insurance risks concentrated in certain countries within the Caribbean. In these countries, the company carries a notable proportion of the insured assets or casualty risk (property and casualty) of the country as a whole. Significant concentration of insurance risk therefore occurs in these countries, namely Barbados, Trinidad and Tobago and St. Lucia.

Total insurance coverage on insurance policies quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided.

The total sums insured before and after reinsurance on property and casualty risks are summarised below.

	Gross	Net
2012		
Property business	11,616,322	2,694,183
Motor business	685,998	342,999
Accident business	4,168,192	1,973,761
Marine business	18,597	18,597
Sums insured	16,489,109	5,029,540

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.2 Claims risk (continued)

	Gross	Net
2011		
Property business	11,570,777	2,626,799
Motor business	683,016	341,508
Accident business	4,223,573	1,983,777
Marine business	20,378	20,378
	<hr/>	<hr/>
Sums insured	16,497,744	4,972,462

The net amounts disclosed are inclusive of the reinsurance applicable on proportional treaties. The retentions on the excess of loss treaties have not been included.

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and excess of loss reinsurance. Levels of reinsurance cover are summarised in note 31.3.

The company assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes, floods, terrorism, failure or collapse of a major corporation (with liability insurance cover) and events triggering multi coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks.

Realistic disaster scenarios modelled for 2012 resulted in estimated gross and net losses as follows:

Scenario:	Gross loss	Net loss
Hurricane affecting Barbados and St. Lucia: Used assumption of this event having a 200 year return period	<hr/> 793,346	<hr/> 15,000
Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad: Used assumption of this event having a 250 year return period	<hr/> 664,162	<hr/> 5,000

Therefore, the occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the company.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the company may cede certain levels of risk to a reinsurer. Reinsurance, however, does not discharge the company's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from:

- The credit risk of holding a recovery from a reinsurer;
- The failure of a reinsurance layer upon the occurrence of a catastrophic event.

The company selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. The company also places reinsurance coverage with various reinsurers to limit its exposure to any one reinsurer. The credit ratings of reinsurers are monitored frequently.

For its property risks, the company uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the company to further claim exposure. Under some treaties, when treaty limits are reached, the company may be required to pay an additional premium to reinstate the reinsurance coverage. For other insurance risks, the company limits its exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the company. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer.

Principal features of retention programs used are summarised in the tables below.

Type of risk	Retention by company
Property risks	<ul style="list-style-type: none"> • maximum retention of \$9,000 for a single event; • maximum retention of \$15,000 (2011 - \$10,000) for a catastrophic event; • quota share retention to maximum of 30% in respect of the treaty limits; • quota share retention is further reduced to a maximum of \$1,500 (2011 - \$1,000) per event
Motor and liability risks	<ul style="list-style-type: none"> • maximum retention of \$1,500 (2011 - \$1,000) for a single event; • quota share retention to maximum of 50% in respect of the treaty limits; • treaty limits apply
Miscellaneous accident risks	<ul style="list-style-type: none"> • maximum retention of \$150 for a single event; • treaty limits apply
Engineering business risks	<ul style="list-style-type: none"> • maximum retention of \$500 for a single risk; • treaty limits apply for material damage and for liability claims

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.3 Reinsurance risk (continued)

Type of risk	Retention by company
Marine risks	<ul style="list-style-type: none"> • maximum retention of \$150 for a single event; • treaty limits apply
Bond risks	<ul style="list-style-type: none"> • maximum retention of \$600 for a single event; • quota share retention to maximum of 15% in respect of the treaty limits; • treaty limits apply
Property, motor, marine, and engineering risk	<ul style="list-style-type: none"> • catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits for property, motor, marine and engineering risks; • treaty limits apply to catastrophic excess of loss coverage

Reinsurance balances and the effects of reinsurance ceded on income are disclosed at notes 8, 12.1, 12.2, 15, 18, 21 and 30.1.

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenarios:

- Hurricane with a 250 year return period affecting Barbados and St. Lucia; and
- Earthquake with a 250 year return period affecting Trinidad all within a 24 hour period.

The reinsurance recoveries derived from the above are assigned internal credit ratings as follows:

Category		Sagicor Risk Rating	Classification	Exposure \$	Exposure %
Non-default	Investment grade	1	Minimal risk	595,943	41.0
		2	Low risk	841,565	59.0
		3	Moderate risk	-	-
	Non-investment grade	4	Acceptable risk	-	-
		5	Average risk	-	-
		6	Higher risk	-	-
Watch	7	Special mention	-	-	
	8	Substandard	-	-	
Default	9	Doubtful	-	-	
	10	Loss	-	-	
	TOTALS			1,437,508	100.0

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.4 Estimation of claim liabilities

Due to the inherent uncertainties in estimating claim liabilities described above and in note 3.1, the development of the company's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. The tables in note 12.1 outline the estimates of total ultimate claims incurred and recoverable from reinsurers for each year at successive year ends.

31.5 Sensitivity of incurred claims

The impact on gross claims of a 10% increase and decrease in development is outlined in note 12.1.

32. CAPITAL MANAGEMENT

32.1 Capital resources

The company manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance regulatory authorities;
- To safeguard its ability as a going concern and to provide adequate returns to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of company operations.

The principal capital resource of the company at balance sheet date is as follows:

	<u>2012</u>	<u>2011</u>
Equity	69,955	63,676
Total capital resources	<u>69,955</u>	<u>63,676</u>

The company deploys its capital resources through its operating activities. These operating activities are carried out by branches which are insurance operations. The capital is deployed in such a manner as to ensure that branches have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

32.2 Capital adequacy

Management monitors the adequacy of the company's capital to ensure compliance with the solvency requirements of the territories in which it operates and to safeguard its ability as a going concern to continue to provide benefits and returns to shareholders. At year-end actuaries independently assess the adequacy of the company's insurance reserves. The company was in compliance with all of its regulatory capital requirements at year end.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012

Amounts expressed in Barbados \$ 000

33 RESTATEMENT

The company earns a commission on a sliding scale basis on its motor and liability classes ceded to the quota share proportional treaty established in 2008. Prior to 2012 the commission was calculated based on the actual loss ratio as outlined in the treaty. In the current year it has been determined that an estimate of the ultimate loss ratio should be used to calculate the commission. As a result of the amendment to the calculation, fees and other revenue at December 31, 2011 were overstated by \$1,988 and deferred commission income was understated by \$3,230 and \$1,242 at December 31, 2011 and 2010 respectively. Income taxes and corporation taxes payable at December 31, 2011 were both overstated by \$671.

The effect of the change to the statements of equity, income and comprehensive income for the year ended December 31, 2011 is summarised as follows:

	Previously stated	Prior year adjustment	Restated
STATEMENT OF EQUITY			
Balance, December 31, 2011			
Share capital	3,000	-	3,000
Reserves	25,898	-	25,898
Retained earnings	37,337	(2,559)	34,778
	<hr/>		<hr/>
Total equity	66,235	(2,559)	63,676
Balance, December 31, 2010			
Share capital	3,000	-	3,000
Reserves	28,590	-	28,590
Retained earnings	27,731	(1,242)	26,489
	<hr/>		<hr/>
Total equity	59,321	(1,242)	58,079
	Previously stated	Prior year adjustment	Restated
STATEMENT OF INCOME			
Income before taxes	15,139	(1,988)	13,151
Income taxes	(2,655)	671	(1,984)
	<hr/>		<hr/>
Net income	12,484	(1,317)	11,167

**SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2012**

Amounts expressed in Barbados \$ 000

33 RESTATEMENT (continued)

STATEMENT OF COMPREHENSIVE INCOME	Previously stated	Prior year adjustments	Restated
Net income	12,484	(1,317)	11,167
Other comprehensive income	(4,070)	-	(4,070)
Total comprehensive income	8,414	(1,317)	7,097

COMMUNICATE

Advisors & Bankers, Offices

Advisors and Bankers

APPOINTED ACTUARY

Eckler Ltd.

AUDITORS

PricewaterhouseCoopers SRL, Chartered Accountants

SENIOR COUNSEL

Sir Richard Cheltenham, QC, Ph.D

BANKERS

CIBC FirstCaribbean International Bank Limited

First Citizens

The Bank of Nova Scotia

Agencies, Branches and Offices

AGENCIES:

ANTIGUA:

Sagicor Life Inc.
Sagicor Financial Centre
9 Factory Road
P.O. Box 666
St. Johns

BARBADOS:

Sagicor Life Inc.
Sagicor Corporate Centre
Willey
St. Michael

P & S Insurance Services Limited
15 Pleasant View
Cave Hill
St. Michael

DOMINICA

H.H.V. Whitchurch & Company Limited
P.O. Box 771
Roseau

Willcher Services Inc.
44 Cnr. Hillsborough
Independence Street
Roseau

ST. LUCIA:

Sagicor Life Inc.
Sagicor Financial Centre
Choc Estate
Castries

J.E. Maxwell & Company Limited
P.O. Box GM507
Castries

BRANCHES & OFFICES:

TRINIDAD AND TOBAGO:

Sagicor General Insurance Inc.
122 St. Vincent Street
Port of Spain
Trinidad

BARBADOS:

Registered Office
Sagicor General Insurance Inc.
Beckwith Place
Lower Broad Street
Bridgetown

Haggatt Hall
Mall Internationale
Haggatt Hall
St. Michael

Collymore Rock
Sagicor Financial Centre
Lower Collymore Rock
St. Michael

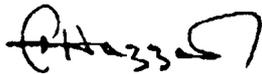
Chelston
Building #2
Chelston Park
St. Michael

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SEVENTEENTH GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F de Caires Building, Wildey, St. Michael, Barbados, on Thursday July 18, 2013 at 4:00 p.m. for the following purposes:

1. To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended December 31, 2012.
2. To elect Directors:-
 - (a) Dr. M. Patricia Downes-Grant and Mr. J. Edward Clarke are the Directors whose terms of office expire at the close of this meeting in accordance with paragraph 4.4 of the by-laws of the Company, and being eligible offer themselves for re-election for terms expiring at the close of the third annual meeting following this meeting.
 - (b) Ms. Vere P. Brathwaite was appointed by the Directors to the Board since the last Annual General Meeting in accordance with paragraph 4.4.3 of the by-laws of the Company and being eligible offers herself for re-election for a term expiring at the close of the second annual meeting following this meeting.
3. To re-appoint the incumbent Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
4. To transact such other business as may properly come before the meeting and at any adjournment thereof.

BY ORDER OF THE BOARD



Althea C. Hazzard LLM, FCIS
Corporate Secretary
June 28, 2013

PROXIES

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a shareholder. Proxy forms must be lodged at the Company's Registered Office, Beckwith Place, Bridgetown, Barbados, not less than twenty-four hours before the meeting. A form of Proxy is enclosed for your convenience.

SAGICOR GENERAL INSURANCE INC. COMPANY NO. 11569

SAGICOR GENERAL INSURANCE INC.
COMPANY NO. 11569

MANAGEMENT PROXY CIRCULAR

Management is required by the Companies Act Cap. 308 of the Laws of Barbados (hereinafter called "The Companies Act") to send with the Notice convening the meeting, forms of proxy. By complying with the Act management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the Seventeenth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on July 18, 2013 at 4:00 p.m. (hereinafter called the "meeting") and is furnished in connection with the solicitation by the management of the Company of proxies for use at the meeting, or any adjournment thereof. It is expected that the solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

REVOCAION OF PROXY

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder, or his attorney authorised in writing, with the Corporate Secretary at the head office of the Company at Beckwith Place, Bridgetown, Barbados, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

RECORD DATE, NOTICE OF MEETING & VOTING SHARES

The Directors of the Company have not fixed a record date for determining the shareholders who are entitled to receive notice of the meeting. In accordance with the Companies Act Chapter 308 of the Laws of Barbados the statutory record date applies. Only the holders of common shares of the Company of record at the close of business on the day immediately preceding the day on which the Notice is given under Section 109 (1) of the Companies Act will be entitled to receive notice of the meeting.

Only the holders of common shares of the Company will be entitled to attend and vote at the meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are 2,000,000 common shares of the Company outstanding.

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2012 and the Auditors' Report thereon, are included in the 2012 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The Board of Directors consists of 6 (six) members. The number of Directors to be elected at the meeting is three (3). The following are the names of the persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast for their re-election as Directors pursuant to the form of proxy hereby enclosed:

Dr. M. Patricia Downes-Grant
Mr. J. Edward Clarke
Ms Vere P. Brathwaite

Dr. M. Patricia Downes-Grant was elected as a director at the Annual Meeting of Shareholders held on May 20, 2010 for a term of three years while Mr. J. Edward Clarke was elected as a director at the Annual Meeting of Shareholders held on June 15, 2011 for a term of 2 years.

Ms. Vere P. Brathwaite is an attorney-at-law and a member of the Board of Directors of Goddard Enterprises Limited. Ms. Brathwaite was appointed as a director on May 16, 2013 to fill the vacancy created by the resignation of Dr. Ashwell Thomas.

These directors will retire at the close of the Seventeenth Annual Meeting in accordance with the provisions of the by-laws of the Company, but being eligible, offer themselves for re-election - Dr. Downes-Grant and Mr. Clarke for terms expiring not later than the close of the third annual meeting of shareholders following this meeting and Ms. Brathwaite for a term expiring not later than the close of the second annual meeting of shareholders following this meeting.

The Directors recommend the appointment of Dr. Downes-Grant, Mr. Clarke and Ms. Brathwaite for the terms stated above or until their successors are elected or appointed.

The management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Director.

APPOINTMENT OF AUDITORS

It is proposed to re-appoint the firm of PricewaterhouseCoopers, the incumbent Auditors, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders.

DISCRETIONARY AUTHORITY

Management knows of no matter to come before the meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2).

No Auditors' statement is submitted pursuant to Section 163(1).

Date: June 27, 2013



Althea C. Hazzard
Corporate Secretary

